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University of Toronto
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Hong Kong and China in Transition

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John P. Burns

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David M. Lampton

CANADA AND HONG KONG PAPERS NO. 3



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Hong Kong and China in Transition

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The Role of the New China News Agency and
China's Policy Towards Hong Kong

by John P. Burns

— Policy Perspectives —

China's Evolving Region-Centre Relations:
Implications for Hong Kong

by Victor C. Falkenheim

Hong Kong and the Rise of "Greater China":
Policy Issues for the United States

by David M. Lampton



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Series Introduction: Canada and Hong Kong Papers

This book is the third of a series published by the Canada and Hong Kong Project. The project was set up in 1990, in recognition of the importance of the growing relationship between Canada and Hong Kong. One of the exciting things about this project is the high level of interest that there is now in the relationship between Canada and Hong Kong and the enthusiasm which we have found for doing research on the subject. We have been able to attract a number of scholars and professional people with a detailed knowledge of Canada and Hong Kong to contribute to our series.

The books in this series examine various aspects of the relationship between Canada and Hong Kong in the period leading up to the return of Hong Kong to Chinese sovereignty in 1997. Over the past few years relations between Canada and Hong Kong have increased enormously and have been changed dramatically by the great wave of migration to Canada over the past decade. Since migration is the linchpin of the relationship, some of the books in the series will focus on the emigration climate in Hong Kong and will look at factors which encourage or inhibit migration. The focus of this third volume in the series is on the emerging Hong Kong-China relationship and the process of economic, political, and social transition leading up to 1997. It discusses the implications of these changes and the sovereignty transfer for the formulation of Canadian and United States policy towards China and Hong Kong.

In addition to Professor Victor Falkenheim, convenor of the Hong Kong and China in Transition Workshop, we would like to express our appreciation to B. Michael Frolic for reading and commenting on earlier versions of this manuscript. We also extend a special thank you to Jerome Ch'en, York University, for the calligraphy on our cover.

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Diana Lary and Bernard Luk
Co-Directors
Canada and Hong Kong Project

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Introduction

For close to a decade, the drama of Hong Kong's impending reversion to Chinese sovereignty has rivetted public attention, with concern fuelled by increasing scepticism over China's willingness or ability to honour its pledge to allow Hong Kong a "high degree" of autonomy under the "one country, two systems" formula.

Anxieties over Hong Kong's future have been exacerbated by continued feuding between Britain and China over issues of sovereignty during the protracted transition and by the ambiguity of constitutional arrangements designed to ensure the promised degree of autonomy. None of these latter concerns were dispelled by the 1990 promulgation of the Basic Law, Hong Kong's mini-constitution, whose provisions made dismayingly clear China's overriding preoccupation with establishing firm levers of control in Hong Kong.

For Hong Kong citizens, foreign corporations, and governments, the potential threat to Hong Kong's post-1997 autonomy has provoked four principal responses. For those most sceptical of Beijing's promises, the preferred option where feasible, has been "exit"—political or economic emigration to more secure havens. For others perhaps equally sceptical, the only realistic response to China's forthcoming dominion over Hong Kong was seen as accommodation to Beijing's concerns and a frank acknowledgement of the power of Hong Kong's new political masters.

To an activist minority, strengthening the popular basis of Hong Kong's political institutions was seen as the indispensable key to entrenching the territory's autonomy after 1997, a view embraced by the Hong Kong government in 1992. And for many foreign companies and governments, reinforcing Hong Kong's international economic and cultural position was perceived as the only meaningful way of securing the region's autonomy in a manner acceptable to Beijing.

How these divergent responses will shape Hong Kong's short-term future is difficult to gauge. Geography and history appear to dictate a fundamental if unpalatable conclusion—that Hong Kong's ultimate fate will rest on the good will, restraint, and capacity of the government in Beijing to manage both the transition and post-1997 order effec-

tively. It was this recognition that shaped the workshop whose results are contained in this volume.

Sponsored by the Canada and Hong Kong Project of the Joint Centre for Asia Pacific Studies, this workshop on "China in Transition: Implications for Hong Kong" was held on 11-12 June 1992 at York University. There were four presentations of which three in revised form have been published in this volume. About thirty people—academics, government officials, and other specialists—attended the seminar, which concluded with a round table discussion of these transition issues and their policy implications for Canada and the United States.

Two Transitions

In analysing Beijing's likely style of governance in Hong Kong after 1997, it seemed important to shift attention away from the sovereignty-focused political jockeying of the pre-1997 period, to centre analysis on the implications for Hong Kong of China's own economic and political transition. Three important trends in the late 1980s and early 1990s seemed likely to bear heavily on Hong Kong's future as a Special Administrative Region (SAR) within China.

The first was China's accelerating economic take-off, paced by broadening market reforms. Dramatic economic growth in South China and the growing economic interdependence of Hong Kong and China appeared to be rapidly altering the context within which Hong Kong's future would be determined.

The second was the growing devolution of economic and political authority to regional governments in China and the emergence of a more decentralized structure of central-local relations. The third was the generational shift in leadership at every level of the political system, but most notably at the very top.

In exploring these trends, the workshop focused on four related sets of issues and themes. The first addressed the question of the impact of see-sawing domestic conflict within China over reform. To what extent would Hong Kong's fortunes prove hostage to changing political currents in Beijing? At a more macro level, would an increasingly market-oriented and trade-dependent China prove a more congenial partner as the gap between "two-systems" diminished?

Second, what were the likely consequences for Hong Kong of the enormous growth in regional power and the emergence of a rapidly modernizing, export-oriented belt of coastal provinces. Would Hong

Kong become part of a coastal coalition, with a strong voice in Beijing?

The third set of questions centred on the implications of intensifying trade and investment links between Hong Kong and China, both for Hong Kong's economic role and for its future security and autonomy. Would economic integration strengthen Hong Kong's autonomy or diminish it?

Finally, the workshop focused on the operational difficulties of managing change in the post-1997 SAR. Would China be able to manage the transition process effectively? Were the mechanisms in place adequate to allow China indirectly to shape policy in the Hong Kong SAR—its most pluralistic and likely fractious regional entity—without resorting to counterproductive intervention.

Chinese Policy: 1997 and Beyond

John Burns's paper analyses the role of the New China News Agency (NCNA) as the primary instrument of Beijing's policy towards Hong Kong. Beijing's principal policy objective has been to ensure continued political control after 1997. This concern dictates the main current task of the NCNA which is to build a political coalition, at both the elite and grassroots level, supportive of Beijing's policies. The second task is to harness that coalition in a political action program supportive of an executive-dominated political structure responsive to Beijing. The third is to identify credible political successors able to fill executive roles in the post-1997 SAR.

Internally structured to fulfill these varied responsibilities, the NCNA is staffed by highly experienced "outsiders," with substantial local experience but of impeccable central loyalties. The main focus of their efforts is in "united front" and propaganda work, selection of advisors, and the development of political forces and groups loyal to Beijing.

Burns notes the importance of distinguishing between Beijing's policies, which centre on devising appropriate political control mechanisms, and Guangdong's which are concerned with economic integration. While the latter concerns are clearly subordinate, they are not unimportant in some NCNA activities, such as the supervision and control of PRC-based enterprises in Hong Kong.

After 1997, Burns speculates that the NCNA might well be replaced by a State Council office stationed in Hong Kong, with Hong Kong, in turn, represented by its own office in Beijing. Burns identifies two problematic areas in NCNA activity. First, it has proved extremely

difficult for the NCNA to monitor and control Mainland companies and business entities operating in Hong Kong. As economic integration deepens and as the Shenzhen and Guangdong presence in Hong Kong increases, policy coordination problems are likely to grow.

The second and more fundamental problem arises from the dissatisfaction of Hong Kong's rising middle class with the proposed political and constitutional arrangements for the transition. While the NCNA has developed two groups of "advisors" formally appointed to that role by Beijing and is in the process of developing a pro-Beijing party to contest for future elected positions, its success in building a solid popular constituency for pro-China positions remains in doubt.

China's Reform

In an oral presentation to the workshop, panellist Carol Hamrin (East Asia Division, U.S. Department of State) offered a mixed assessment of China's current political situation. On the positive side, the acceleration of reform in 1992 marked a decisive defeat for the conservative rearguard, which had lost its most powerful bid in the wake of June 4 to turn back the clock on reform. The likely long term consequences were greater liberalization, both in economic and political terms.

A second positive factor, independent of the changing leadership balance at the centre, was the powerful underlying trend to greater autonomy of the regions from the centre. This implied, Hamrin suggested, greater influence for domestic pro-reform forces, including the southern provinces. National leaders, she speculated, would be compelled to respond to these pressures.

On the negative side, continuing political volatility remained a concern. In particular, she noted the potential for Hong Kong questions to be enmeshed in leadership struggles, particularly where policy conflicts involved the important "united front" bureaucracy whose functions included responsibility for Hong Kong policy.

Centre and Region

The implications of China's growing administrative and fiscal devolution for Hong Kong's future were explored in the paper by Victor Falkenheim. Reviewing the post-1949 history of central-local relations and the principal mechanisms developed by Beijing to rein in occasionally unruly local leaders, Falkenheim's paper focused on the critical importance of leadership selection as the key control mechanism

through which Beijing cultivated a cadre of responsive and compliant local leaders. Beijing's dilemma, his paper contended, was to identify capable and locally credible leaders able to maintain stability and control in the regions.

Challenging the widespread view that Beijing was losing the capacity to check surging economic and political localism, Falkenheim accented instead the growing consultative character of central-regional relations and the increased tolerance exhibited by Beijing in the face of local diversity and local interest advocacy. The positive implications of this trend for Hong Kong's future as a SAR were underlined in his paper.

Economic Integration

David Michael Lampton's paper documents the growing integration of the Hong Kong-Guangdong economies and explores the political implications of those intensifying economic links for Hong Kong's future. Lampton's analysis suggests that the best guarantee of Hong Kong's autonomy lies in its utility to China. Closer economic ties, rather than endangering Hong Kong's autonomy and security, strengthen it, he argued. Lampton acknowledges that his views clash with the position espoused by leading Hong Kong democratic activists who view these growing economic ties with ambivalence and even alarm.

On the basis of this positive view, Lampton suggests that the United States must recognize this interdependence and develop a policy of support for Hong Kong which takes into account the economic reality of "Greater China."

In commenting on Lampton's paper, Don Waterfall (North Asia Relations, Foreign Affairs and International Trade Canada) outlined Canada's main policy concerns in Hong Kong. Since 1989, Canadian efforts to strengthen Hong Kong's autonomy and promote democracy have primarily relied on "confidence-building measures." These have included encouragement of high level contacts with Hong Kong, the development of a web of bilateral agreements extending beyond 1997, and support for a Hong Kong presence in international organizations and forums. Unlike the United States which must develop policy within a politicized legislative setting, Canadian policy is able to pursue the delicate task of balancing its Hong Kong-China initiatives at the executive level, allowing for vigorous but quiet advocacy of Hong Kong's interests.

Conclusion

In the decade since the 1984 Sino-British agreement on the reversion of Hong Kong to PRC sovereignty, concern over Hong Kong's future has centred on the issue of how best to secure the degree of autonomy necessary to maintain its liberal and pluralistic social order within a unitary and authoritarian system.

While strenuous international and local efforts are needed to assert and defend that autonomy, the best long run hope for Hong Kong lies in China's own economic and political transition. While inevitably speculative, the main thrust of this workshop, both in its papers and deliberations, was that a process of mutual accommodation might well emerge as the two political and economic systems converge.

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November 1993

The Role of the New China News Agency and China's Policy Toward Hong Kong

John P. Burns

Hong Kong's position as a regional economic centre, its economic performance as one of Asia's mini-dragons, and its status as a bell-wether for China's policies of national integration have made the colony's transition to Chinese rule in 1997 exceedingly complex. International, regional, and local interests are at stake. Japanese and American businessmen, through their governments and chambers of commerce, have expressed concern for their investments in Hong Kong. Importing countries, especially the USA, on whom Hong Kong depends for trade, are worried about imbalances in trade with Hong Kong. Both the Guomindang (KMT) and the opposition in Taiwan, pushed by largely economic interests that favour closer ties with the Mainland, are watching the Hong Kong transition closely.

China's economic bureaucracies are concerned for their investments in Hong Kong, which now amount to some US\$15 billion or about CDN\$19.05 billion, and for the maintenance of the territory's ability to earn foreign exchange for China (Hong Kong provides about 25 percent of the total). Political leaders in China are concerned to limit Hong Kong's "subversive" influence on the Mainland's political institutions and official ideology. A newly enriched middle class in Hong Kong is demanding popular participation in government of the territory.¹ This is supported by the local labour movement and resisted by Hong Kong's major capitalists.²

The New China News Agency, Hong Kong Branch (NCNA), China's official representative in Hong Kong since 1947, is charged with managing the transition on a day-to-day basis for the Beijing government.³ Since 1990, the central government in Beijing has exercised increasingly tight control over the NCNA in pursuit of its policies for the transition.

Policy makers in China are pursuing at least two formally articulated policies for Hong Kong, one formulated by the central government, with broadly political objectives, and the other adopted by Guangdong provincial and Shenzhen municipal authorities, with mainly economic objectives. In the broadest terms, the policy of the central government for Hong Kong centres on ensuring a smooth transition ('convergence') to the political arrangements laid down in the Basic Law for

Hong Kong in 1990.⁴ These arrangements will give Beijing direct authority to appoint the leadership of the future government of the Special Administrative Region (SAR). According to the Basic Law, this leadership will govern through an executive-led administration, as is currently the case.

Guangdong and Shenzhen authorities, however, are less concerned with issues of political control in Hong Kong and more concerned to accomplish the smooth integration of Hong Kong into the Pearl River delta economic region. Although the proposal of "senior Guangdong officials" to bring Hong Kong formally into the province's Eighth Five Year Plan (1991-1995), first mooted in March 1991,⁵ was turned down by authorities in Beijing, the proposal gave important clues to the thinking of policy makers in South China.⁶ Economic integration, not political control, has become their primary concern.

This paper focuses on the Hong Kong policies of the central government and highlights, in particular, Beijing's strategy for managing political matters in Hong Kong during the transition. The strategy involves, first, defining the nature of Hong Kong's relationship to the central government, vaguely spelled out in the Sino-British Joint Declaration and in the Basic Law, by clearly specifying the scope of Hong Kong's autonomy before 1997 and enlisting the aid of British authorities to enforce the scope. Second, it involves defining the role of the state in Hong Kong and its style of governance as relatively more expansive, resembling closely the scope of government in Hong Kong in 1983-1984, and executive-led. Third, China's strategy entails identifying future political leaders of the SAR who will not challenge central government authority, but who have credibility in Hong Kong.

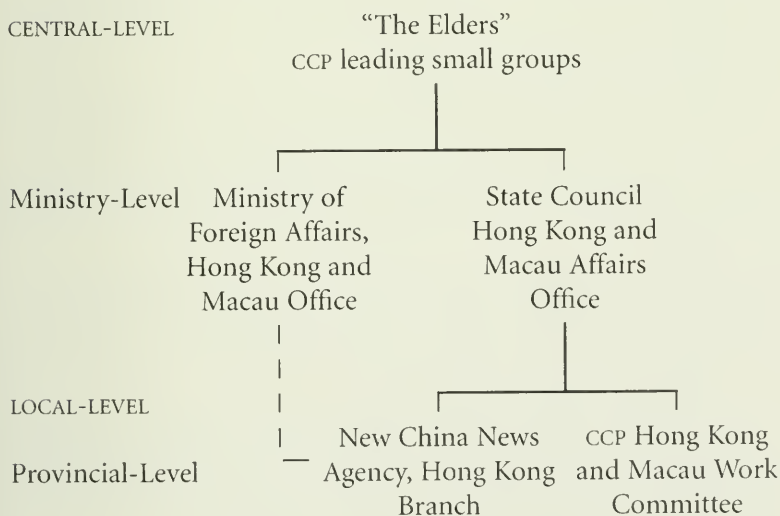
In the course of implementing the strategy, the NCNA during the late 1980s and early 1990s has carried out various functions in Hong Kong: propagating the Chinese Communist Party's (CCP) position in the territory; supervising and controlling China's various organizations in Hong Kong; coordinating China's organizations in Hong Kong; and building a coalition to support party policies through aggressive united front work. In particular, this has involved recruiting candidates for leadership in the post-1997 Hong Kong government. Among these functions, united front work continues to be the most important.

Institutions

Hong Kong policy is made and carried out by a network of party and state groups, offices, and committees presided over by those in charge

of the CCP's united front work. At its apex in 1992 sat Yang Shangkun, "the most senior official in China responsible for Hong Kong and Macau affairs."⁷ In addition to being a Standing Committee member of the Politburo (the core of the Party), Yang was also First Vice Chairman of the CCP Central Military Commission and President of the People's Republic of China. However, as the need has arisen, members of the CCP's central "leading small groups" in charge of such areas as foreign policy⁸ and finance and economic policy⁹ have undoubtedly been brought into the discussions. Indeed, since 1982, when resolution of the Hong Kong question became a foreign policy issue to be discussed with the United Kingdom, the CCP's Central Foreign Affairs Leading Small Group, under the chairmanship of Li Peng, began to play a more active role that has continued to the present day.¹⁰ Finally, on key questions, party elder Deng Xiaoping has also played a critical role. Indeed, authorities have attributed to Deng personally the 'one country-two systems' formula for Hong Kong's future.

Figure 1
China's Hong Kong Policy-Making Institutions, 1992



Source: Adapted from Li Guoheng, *Qianshao mianpu* [Guide to the advance guard] (Hong Kong: Fanrong chubanshe, 1991).

At the central level two state institutions have primary responsibility for Hong Kong policy: the State Council Hong Kong and Macau Affairs Office and the Hong Kong and Macau Office of the Ministry of Foreign Affairs. The State Council Office has been a Ministry-level unit since its creation in 1978. The Foreign Ministry Hong Kong and Macau Office, set up in 1985 after the signing of the Sino-British Declaration, is designed to deal with the foreign affairs aspects of Hong Kong's transition to Chinese rule, especially to deal with the British government. (See Figure 1.)

According to an official job description, published in 1990, the State Council Hong Kong and Macau Affairs Office (hereafter, the Office), is responsible to:

1. research and determine the policies of the Chinese government for the restoration of sovereignty over Hong Kong and Macau and to implement the smooth transfer of political power;
2. carry out the work of drafting the basic laws for the Hong Kong and Macau special administrative regions;
3. plan and deploy various tasks of the transition period for Hong Kong and Macau;
4. together with the Ministry of Foreign Affairs, jointly to handle foreign affairs work for Hong Kong and Macau, and to participate in the work of the Sino-British and Sino-Portuguese joint liaison groups and land management groups;
5. determine and carry out social contact between the Mainland and Hong Kong and Macau in the political, economic, cultural, and social arenas; assist various regions and departments to make use of Hong Kong and Macau to serve the four modernizations in the rest of China;
6. carry out investigations and research, and collect information on political, economic, cultural and social trends in Hong Kong and Macau, and report on them in a timely fashion to the centre [Politburo] and the State Council;
7. with various inland areas and departments, jointly to make good arrangements to receive visits by Hong Kong and Macau people of various circles, and to carry out united front and propaganda work;
8. with relevant departments, jointly to investigate and approve the organizations and individuals of various regions and departments, stationed in Hong Kong and Macau, and to give their opinion to the

State Council whether or not cadres of the rank of vice minister or vice governor and above should visit Hong Kong.¹¹

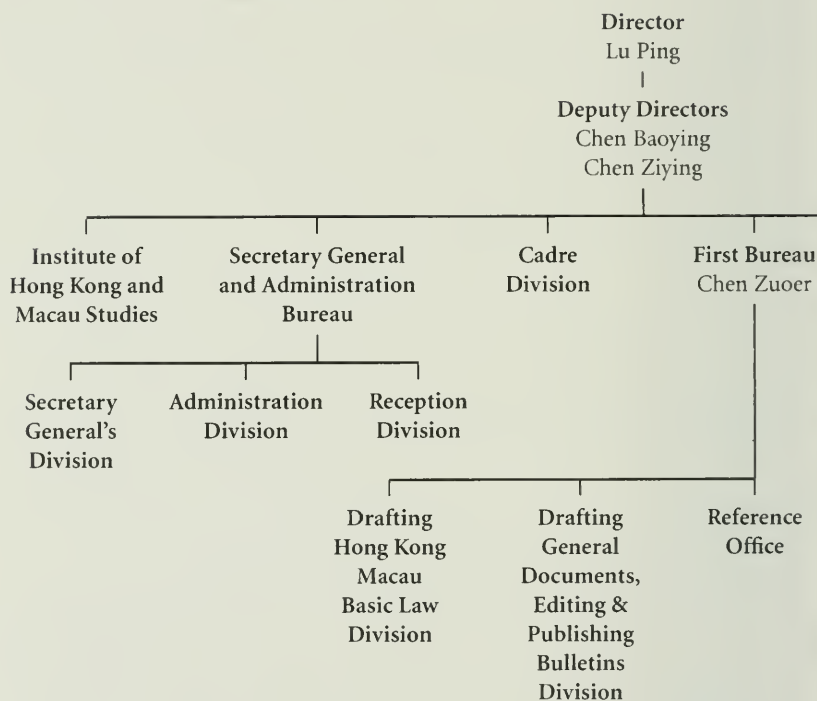
Officially, then, the Hong Kong and Macau Affairs Office is responsible not only for making policy on Hong Kong, but also for coordinating foreign affairs matters relating to Hong Kong; regulating Hong Kong's interaction with interior provinces and government departments, mostly economic management agencies and Mainland-based companies that wish to do business in Hong Kong; and for research on broad political, economic, and social trends in Hong Kong, that undoubtedly form the grist for future policy initiatives. Further, it should facilitate the implementation of China's Hong Kong policy in Hong Kong.

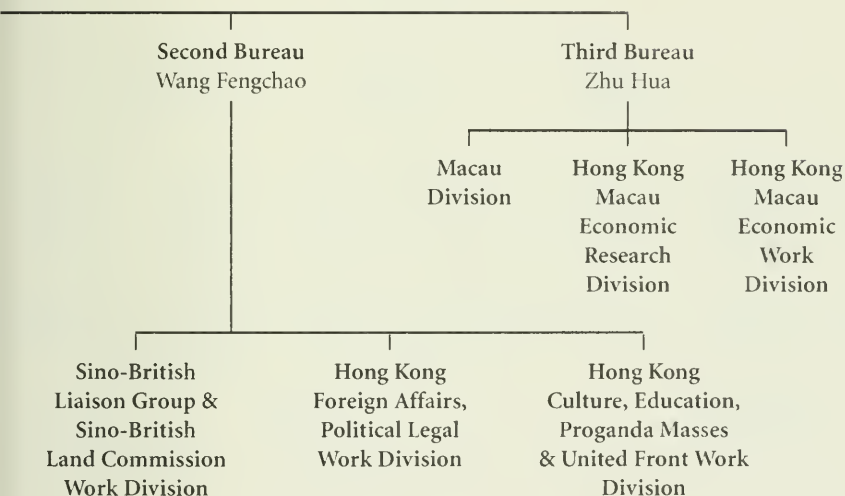
In 1990 the Office was authorized to employ eighty-nine cadres¹² who were organized into four bureaus. (See Figure 2, pp. 22-23) The First Bureau was mainly responsible for the basic laws, documentary material, and research. The Second Bureau provided staff support to the Sino-British liaison and land commissions, carried out research and made policy recommendations on foreign affairs and political and legal work, and supervised culture and education matters. It also supervised Hong Kong matters in various party-related areas, such as "propaganda, masses, and united front work." In the Third Bureau was concentrated most of the activity related to Macau and research on the economies of both territories. These bureaus were supported by a Secretary General's Bureau, with largely administrative functions and a cadre division to handle the Office's personnel matters.

In 1992 the Office was headed by Lu Ping, a position he has held since 1987.¹³ During a career in journalism and translation, Lu developed close relations with Liao Chengzhi, through his association with Song Chingling. Before his death in 1983, Liao was concurrently head of both the State Council Overseas Chinese and Hong Kong and Macau Affairs offices. Lu joined the Office in 1978 and was made secretary general in 1984, nearly two years after Vice Premier (later State Councillor) Ji Pengfei replaced Liao as director of the Office.

Deputy directors in 1992 included Chen Baoying and Chen Ziyang. According to one source, Chen Ziyang, a recent recruit to the Office, has spent most of his career in the Ministry of Foreign Affairs and was intimately involved in negotiations with the UK and Portuguese governments over the futures of Hong Kong and Macau.¹⁴ Bureau chiefs of the Office include Chen Zuo'er, Wang Fengchao and Zhu Hua. Chen began

Figure 2
State Council Hong Kong and Macau Affairs Office, 1991

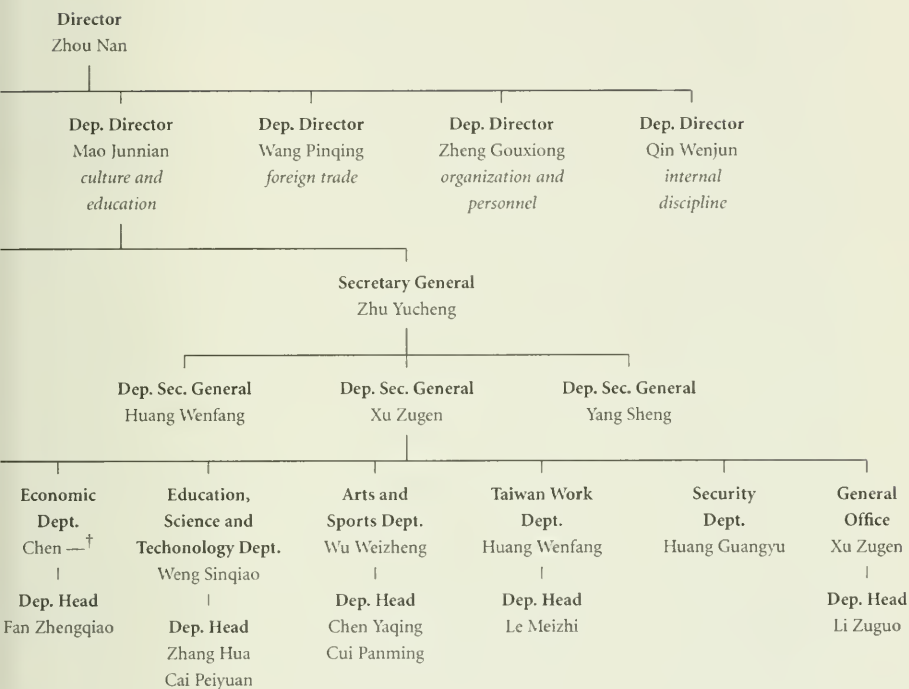




Source: Zhongguo zhengfu gongzuo gaiyao ed committee (ed.) *Zhongguo zhengfu gongzuo gaiyao* [Outline of the work of the Chinese government] (Beijing: Zhonggong zhongyang dangxiao chubanshe, 1991), pp. 190-191; *China Directory 1992* (Tokyo: Radio Press, 1991), p. 139.

Figure 3
New China News Agency, Hong Kong Branch, 1992





Notes: * Acting appointment, previously held by Ji Xiaoshang.

† Previously held by Chen Zhesheng.

‡ Already left. He was the chief editor of *Bauhinia* monthly.

Source: *Dangdai* (Contemporary) monthly. Hong Kong, 24 November 1990, p. 9 and interviews 21 April, 2 June, and 3 June 1992.

his career as a teacher in Fujian province and was then transferred to a career in journalism during the 1980s. He was appointed to head the No. Two Bureau in 1988. Zhu Hua, a former resident of Hong Kong, headed the No. Three Bureau in late 1990.¹⁵ She has been involved in Hong Kong and Macau work since 1978, when the Office was first set up. During the 1950s and 1960s, she worked in the Hong Kong and Macau Group of the State Council's Foreign Affairs Office. I have no information on the other Office employees.

Directly subordinate to the Hong Kong and Macau Affairs Office is the New China News Agency, Hong Kong Branch, identified in some sources as a provincial-level organization.¹⁶ In 1992, the NCNA was headed by a director, six deputy directors, and a secretary general, and employed from 500 to 600 people.¹⁷ (See Figure 3, pp. 24-25) It was organized into ten departments (coordination; propaganda; foreign affairs; personnel; social work; economics; education, science and technology; arts and sports; Taiwan affairs; and security), a research office, and a general office. Attached to the NCNA was the local branch of Xinhua News Agency in Hong Kong; district offices located in Hong Kong, Kowloon, and the New Territories; and a number of ad-hoc groups set up to study various policy areas (such as a "political planning office" set up to study the political implications of Hong Kong's proposals for a new airport and Hong Kong's economic links to South China. It reports directly to the NCNA's director, Zhou Nan).¹⁸ The NCNA is responsible for assisting the Hong Kong and Macau Affairs Office in Beijing in the discharge of its duties, as outlined above.

The director, Zhou Nan, the six deputy directors, and the advisor, Rong Kang, come from a variety of backgrounds. (See Table 1.) First, four of this group are native speakers of Cantonese. Of these, only one was born in Hong Kong (Mao Junnian), while another is a permanent resident of Hong Kong (Rong Kang—Rong was born in Zhongshan county, Guangdong). In addition, deputy director Qin Wenjun, who was first posted to Guangdong in 1975, has considerable work experience in Guangdong province. Consequently, as a group, although they are mostly 'outsiders,' they should be relatively well informed about Hong Kong. In 1992 the number of Hongkongans among the leadership of the NCNA, however, was very small. Only Mao Junnian among the deputy directors was a native. Two of the three assistant directors (Wang Rudeng and Chen Fengying) and one deputy secretary general (Huang Wenfang) were locals.

Table 1
Backgrounds of the Senior Officials
of the NCNA, Hong Kong Branch, 1992

<i>Name</i>	<i>Year of Birth</i>	<i>Native Place</i>	<i>Year of Hong Kong Posting</i>	<i>Previous Position</i>
Zhou Nan	1927	Shandong*	1990	Vice Minister, Foreign Affairs
Rong Kang	1930	Guangdong	1990	Bureau Chief, No. Two Bureau, Hong Kong and Macau Affairs Office
Zheng Hua	1930	Guangdong	1984	General Manager, Macau Nanguang Company
Zhang Junsheng	1936	Fujian	1987	Deputy Secretary, Hangzhou CCP Committee
Mao Junnian	1937	Hong Kong	1985	Vice Principal, a middle school
Wang Pinqing	1930	Heilongjiang	1990	Vice Minister, MOFERT
Zheng Guoxiong	1933	Guangdong	1990	Head, Organization Department, Guangdong CCP Committee
Qin Wenjun	1932	Hubei	1990	Deputy Secretary, Shenzhen CCP Committee

Note: *Born in Jilin.

Source: Li Gucheng, *Qianshao mianpu* [Guide to the advanced guard] (Hong Kong: Fanrong chubanshe, 1991).

Second, the work experience of the group is extensive and, in some cases, reaches to very high levels in Beijing. Three of the group have extensive experience in central ministry-level organizations. Of these, two have been vice ministers of large and powerful ministries. Three others of the group have leadership experience at either the provincial or municipal level. Mao Junnian's experience as vice principal of Methodist College, a middle school, is, therefore, atypical and indicates the low regard the NCNA has placed on his portfolio—culture and education work.

Third, the functional specialities of the group can be divided into three main areas: party work, economic management, and foreign affairs. Half of the group have extensive experience in the CCP's bureaucracy at various levels. Zhang Junsheng, for example, spent many years as the deputy secretary of the Zhejiang University and Hangzhou municipal party committees. Four years before he arrived in Hong Kong, Zheng Guoxiong was the head of the organization department of the Guangdong provincial party committee, a powerful body with broad responsibilities for personnel management in the province. From 1975, Qin Wenjun was the deputy secretary general of the Guangdong provincial party committee and concurrently head of the party's general office. Beginning in 1980, he held a series of appointments in the Guangdong and Shenzhen party bureaucracies. He was head of the provincial Policy Research Office and became deputy secretary of the Shenzhen party committee, with responsibilities for propaganda as well as organization and personnel work. Finally, Zheng Hua has also had some experience as a party bureaucrat (he was deputy head of the Guangdong provincial party committee rural work department) before he took over economic management duties in Hainan and Macau.¹⁹

A second group have had careers that focused on economic management. For example, Wang Pinqing has an extensive career in foreign trade, spanning several decades. Zheng Hua has also held responsible positions in companies in Macau.²⁰ Finally, Zhou Nan has a lengthy career in the foreign service that spans more than forty years.²¹ Once again, Mao Junnian's experience as a teacher and vice principal of a middle school in Hong Kong is atypical.

Portfolios have been distributed among the leadership group. According to interviewees,²² Zheng Hua, a hold over from the previous administration of Xu Jiatur, was in 1992 responsible for political work.

Formerly the first deputy director under Xu, he has had a broad range of responsibilities, including organization and personnel work.²³ Zhang Junsheng, another holdover from Xu's tenure, was responsible for propaganda work. (Zhang is also the official spokesman for the NCNA, Hong Kong Branch). Wang Pinqing was responsible for economic work, especially foreign trade. He was sent to Hong Kong to manage the rectification and cleaning up of state trading corporations in the territory in 1990-1991, which accompanied a similar campaign on the Mainland. In 1992 he was responsible for the more than 1,000 Mainland-based companies (*Zhongzi jigou*) in Hong Kong. As a former vice minister, he held the highest rank among the NCNA's deputy directors.²⁴ Zheng Guoxiong was in charge of organization and personnel, a function he performed for the CCP at the provincial level in Guangdong for several years before he came to Hong Kong, and Qin Wenjun was responsible for internal discipline. Qin's function became especially important after 'discipline problems' emerged in leftist circles in Hong Kong, including the NCNA, during and after the June 4 repression of dissent in Beijing.²⁵ Mao Junnian supervised culture and education work in Hong Kong for the NCNA.

Below the deputy directors are a number of departments, some of which perform critically important functions.²⁶ In 1992 the Co-ordination Department was in charge of united front work, the most important work of the NCNA. In particular, it identified influential people in Hong Kong and sought to enlist them to assist the NCNA in implementing China's policies in Hong Kong. Youth and women's divisions were subordinate units of the department. The youth division supervised the activities, for example, of a highly respected youth-services group, the "New Generation" (*Xinyidai*), which ran a newspaper and youth centres.

The Propaganda Department was responsible for maintaining extensive clipping files of articles that have been published in various Hong Kong newspapers and magazines. In addition, it maintained files on journalists in Hong Kong, based on the journalists' own published materials. The Foreign Affairs Department handled the increasingly dense network of official relations with the Hong Kong government. All official contacts between the Hong Kong government Political Advisor's Office and the NCNA went through the Foreign Affairs Department. In 1991, for example, the Department handled the arrangements for twenty-one official delegations from the Mainland

that visited Hong Kong and thirty-four delegations of Hong Kong government officials dispatched to China.²⁷ The Foreign Affairs Department also handled relations with foreigners living in Hong Kong, especially requests to visit China from foreign diplomats and chambers of commerce.

The NCNA's Research Office, upgraded under Zhou Nan's tenure, was responsible for research into the overall political situation in Hong Kong. For example, it researched the political aspects of the new airport project. In addition, a writing group within the Research Office provided letters to the editor and commentaries (*lailun*) for 'leftist' newspapers in the territory, such as *Wenhui bao*.

Finally, the Economic Department researched Hong Kong's economy, Hong Kong's economic links with the Mainland, and the economic aspects of projects, such as the new airport. In addition, it was responsible for supervising the Mainland-based companies in Hong Kong to ensure that they carried out only their approved activities and did not engage in corrupt practices.

Central authorities in Beijing have also established a party organization in Hong Kong, the Hong Kong and Macau Work Committee.²⁸ The Work Committee, appointed by the party Central Committee, was led by a secretary, several deputy secretaries, and a secretary general. It also consisted of a number of ordinary members.²⁹ (See Table 2.) The director of the NCNA, Zhou Nan, was the secretary of the Work Committee. Deputy secretaries of the Work Committee were drawn from among *some* of the deputy directors of the NCNA and among *some* of the assistant directors.³⁰

Because of their extensive backgrounds in party work and because of their bureaucratic status, the most likely deputy secretaries of the Work Committee in 1992 were Zhang Junsheng, Qin Wenjun, Wang Pinqing, and Zheng Hua. (I doubt that Mao Junnian sat on the Committee.) Zheng Guoxiong was an ordinary member of the Committee. Although the previous secretary general of the NCNA, Yu Mengxiao, may have held the same post on the Committee, he has been replaced because he allegedly helped Xu to leave for the United States in April 1990. Whether the current NCNA secretary general, Zhu Yucheng, who previously headed an institute of the Chinese Academy of Sciences, also holds the same post on the Work Committee is unclear. Ordinary members of the Work Committee were said in 1989 to come from among the leaderships of China Resources, China Merchants, Bank of China (Hong Kong Branch), and China Travel Service. Because the

activities of the Work Committee and its existence are shrouded in secrecy and not officially acknowledged in Hong Kong, I have been unable to determine accurately even the composition of the Committee.

Table 2
The Hong Kong and Macau Work Committee, 1989

Secretary:	Director, Hong Kong Branch of the New China News Agency [NCNA]
Deputy Secretaries:	Deputy Directors NCNA; Assistant Directors of NCNA
Secretary General:	Secretary General of NCNA
Standing Committee:	Secretary, Deputy Secretaries, and Secretary General
Committee Members:	All of the above, plus heads of the Hong Kong Branch of the Bank of China, China Resources Corporation, China Merchants Group, and China Travel Service

Source: Deng Feng, "Xianggang Xinhuashe—Gongwei cai Gangde waiyi" [Hong Kong's New China News Agency—the Camouflage of the Work Committee in Hong Kong] *Dangdai* No. 4 (16 December 1989), p. 18.

Parts of the bureaucracy of the NCNA performed staff functions for the Work Committee. United front work functions were performed by the Co-ordination Department, organization functions by the NCNA's Personnel Department, propaganda functions by the NCNA department with the same name, and so forth. Other departments of NCNA were probably enlisted to service the Work Committee as the need arose.

The intimate relations between the party Work Committee and the state Hong Kong and Macau Affairs Office/NCNA network were clearly indicated in the 1982 official job description of the Hong Kong and Macau Affairs Office, reproduced as late as 1987. It said that the Office was responsible for, in part, "organizing the [CCP] Hong Kong and Macau Work Committee and relevant departments to research and determine policies and proposals to solve the 1997 Hong Kong and Macau problems..." and, further, "to assist the Hong Kong and Macau Work Committee to carry out upper-level united front work; worker

and student basic-level mass work; work among the news media, publishing, film, etc.; patriotic propaganda, cultural and educational work; and party and youth league work and cadre work.”³¹

Because the job description violated the central party’s policy of the late 1980s of separating party and state functions, it was of some concern to leaders of the Office at the time. According to what was probably the Office’s 1987 submission to the State Organization and Establishment Committee, in preparation for the 1989-1990 reorganization of the State Council:

relations between the Hong Kong and Macau Affairs Office and the Work Committee are not smooth. The Work Committee is a provincial-level organization, that comes directly under the General Office of the Central Committee. The General Office also has given the Hong Kong and Macau Affairs Office [certain tasks] to manage, [which results in] informally beating around the bush (*raole gewan*). The Work Committee is dispatched to Hong Kong by the Central Committee (*paichu jigou*) while the Hong Kong and Macau Affairs Office is an organ of the State Council. Much of the work of the Work Committee depends on government departments to be accomplished. [Of course], the major policies on Hong Kong questions are determined by the centre [Politburo]. This is a problem of relations between party and government.³²

To rectify the problem, all references to the Work Committee were removed from the Office’s official job description, reproduced above. However, the 1990 job description continues to mention activities, such as “united front work and propaganda work,” code words for party work. I conclude, therefore, that the close relationship between party and state agencies in China’s Hong Kong policy has changed little since 1990.³³

The ambiguous bureaucratic status of these agencies caused problems. In 1978 when the Office was set up, it ranked as a central ministry-level government department. The Work Committee was given equal status, as indicated above. The first head of the Office, Liao Chengzhi, held the rank of minister. At the same time the secretary of the Work Committee, Wang Kuang, held the rank of vice minister. Then, the arrangement reportedly worked smoothly.³⁴ Subsequently, the two leadership positions were filled by cadres of a more senior rank and conflict emerged. In 1982, Vice Premier Ji Pengfei was made head of the Office, while Xu Jiatusun was made head of the Work Committee. Both Ji

and Xu were party Central Committee members. In practice, Ji delegated most work to the deputy head of the Office, Li Hou, who held a vice-ministerial rank. Xu, a former first party secretary of Jiangsu province, outranked him and tended to report over Li's head to the most senior party leaders. This caused considerable friction between the Office and the NCNA/Work Committee.³⁵

By the late 1980s, the Hong Kong and Macau Affairs Office also complained of other management problems. For example, in its 1987 submission to the State Organization and Establishment Committee, it pointed out that central coordination of Hong Kong and Macau policy was relatively weak. In an implicit criticism of the lack of central party direction, the document noted that although Liao Chengzhi exercised strong central control through a "Central Hong Kong and Macau Work Small Group" (*Zhongyang Gang-Ao gongzuo xiaozu*), the Small Group was wound up and the situation deteriorated when Liao died. As only an office of the State Council, the document pointed out, the Hong Kong and Macau Affairs Office could not coordinate all of the departments concerned with Hong Kong affairs. "Now [1987] there are so many departments [concerned with Hong Kong affairs], each battling it out with the other, policy is not going in the same direction, and disorder has emerged."³⁶ Undoubtedly, times were simpler when Liao was alive.

Finally, the Office noted, as a result of the "open-door" policy, many Mainland-based companies had set up organizations in Hong Kong. "Because so many organizations wish to establish overseas operations, they use Hong Kong as a beachhead for this policy." Although authorities had approved 300 Mainland-based organizations to set up operations in Hong Kong by 1987, there were by then more than 1,000 operating there without approval. These agencies sent many personnel to Hong Kong (implicitly, too many), and the Office complained, "we have lost control, and this is a problem of the system" of managing Hong Kong.

Official party documents do not clearly spell out the status of the Work Committee. The documents indicate that although the Work Committee was a ministerial (provincial)-level organ during Xu Jiatusun's tenure from 1984 to 1990, its status may have changed in 1990. According to the "Job Title List of Cadre Positions Managed Centrally," issued in 1990,³⁷ the Work Committee has been moved to a section of the *nomenklatura* reserved for parts of the central party bureaucracy. (See Table 3.) This move was undoubtedly significant, and may have

Table 3
Job Title List of Cadres Managed Centrally by the Chinese Communist Party, 1990 (Hong Kong Portion)

Position	Unit
2. CENTRAL PARTY BUREAUCRACY	
Heads, Deputy Heads, Members Secretary General	CCP leading small groups [e.g., Foreign Affairs Leading Small Group] CCP Foreign Affairs Leading Small Group
Secretary, Deputy Secretaries, Members, Secretary of the Disciplinary Committee	CCP Hong Kong and Macau Work Committee

5. STATE ORGANS	
Director, Deputy Directors Head, Deputy Heads Chief Representative	NCNA, Hong Kong Branch State Council Hong Kong and Macau Affairs Office China's side on the Sino-British Joint Liaison Group

List of Cadre Positions to Be Reported to the Chinese Communist Party Centre, 1990 (Hong Kong Portion)

Position	Unit
1. PARTY AND STATE ORGANS	
Deputy Secretaries General, Office Heads, Deputy Office Heads	CCP leading small groups [e.g., Foreign Affairs Leading Small Group]

Secretary General, Deputy Secretaries
General, Heads and Deputy Heads of
Departments (Offices), Deputy Secretary
of Discipline Inspection Committee
Heads, Deputy Heads

Secretary General, Deputy Secretaries
General, Heads and Deputy Heads of
departments (offices)

Head

CCP Hong Kong and Macau Work Committee

Bureaus of State Council ministries, commissions, offices, and banks [e.g.,
Hong Kong and Macau Office of the Ministry of Foreign Affairs]

NCNA, Hong Kong Branch

China's Visa Office, Hong Kong

4. ECONOMIC ENTERPRISES

Party Committee Secretary and Deputy
Secretaries; factory manager (manager); deputy
factory managers (deputy managers); chief
engineer, chief accountant, chief economist

Secretary of the Party Committee and Head
[factory manager, chairman]

Hong Kong China Merchants Group Company

Subordinate import-export corporations of the Ministry
of Foreign Economic Relations and Trade [MOFERT], China Resources Group

Source: "Zhongyang Zuzhibu guanyu xiuding 'Zhonggong Zhongyang guanlide ganbu zhiwu mingchengbiao' de tongzhi" [Notice of the
CCP Organization Department on the Revision of the "Job Title List of Cadres Managed Centrally by the Chinese Communist Party"]
(10 May 1990) [*Zhongzifafa* (1990) No. 2], translated in John P. Burns, "Strengthening Central CCP Control of Leadership Selection: the
1990 *Nomenklatura*," *The China Quarterly* (forthcoming).

meant that the Committee (and, indeed, the NCNA, Hong Kong branch) was downgraded.³⁸ In 1990, when Zhou Nan was appointed to head the NCNA and the Work Committee, he was a vice minister, one rank below Xu Jiatus.³⁹ Zhou's party rank was considerably below Xu as well, for Zhou was not then a Central Committee member. It is likely, therefore, that in 1992, Lu Ping, a full minister, outranked Zhou Nan, promoted to vice minister of Foreign Affairs only two years before he took up the NCNA post. This change has ensured tighter control from Beijing and has contributed to the smoother running of China's official Hong Kong *xitong*.

The 1990 central party *nomenklatura* also indicates the range of appointments made by the CCP in the area of "Hong Kong work." Leading positions in all of the institutions discussed above are covered.

In addition to the bureaucratic sources of friction, informal considerations were also at work. According to several sources, Xu Jiatus used his authority as head of the NCNA to staff senior positions in Hong Kong with figures personally loyal to him. Officials such as Zhang Junsheng, Zheng Hua, Pan Zengxi, and Yu Mengxiao were personally recruited by Xu to replace long-serving, mostly Cantonese officials.⁴⁰ Soon after Zhou Nan took over from Xu in 1990, Pan and Yu were transferred back to the Mainland. Zhou subsequently criticized Xu for failing to implement a cadre rotation system that would have limited Mainland cadres to five years in Hong Kong.⁴¹ Undoubtedly, the influence of the June 4 incident and the NCNA's subsequent protection of Xu as he prepared to flee to the USA prompted the policy change.

This review of the institutions for managing China's Hong Kong policy indicates that the party is intimately involved in the work of these bodies, that the party has placed Hong Kong policy in the hands of experienced senior officials, and that serious friction between the Office and the NCNA/Work Committee characterized the late 1980s. This tension has been resolved by downgrading the NCNA/Work Committee to reassert the authority of the central party/state.

China's Hong Kong Policy

During the transition to 1997, the policy of China's central government for Hong Kong in the political arena⁴² seeks as smooth a transition as possible to the political arrangements set out in the Basic Law. These arrangements call for an executive-led administration, a relatively weak, only partially elected Legislative Council (Legco),⁴³ and an advisory Executive Council to be in place in 1997.

First, central Chinese officials seek to provide concrete reality to the concept of a "high degree of autonomy," the vague words adopted by the Sino-British Joint Declaration to characterize the relationship between the future SAR government and the central government in Beijing. Real issues, such as the decision of the Hong Kong government to build a new airport, have provided the arena for the exercise of this policy.⁴⁴

Second, central Chinese officials seek to maintain the scope of state activity in Hong Kong at the relatively expansive level that characterized the early 1980s, and to ensure that the future SAR government is executive-led and responsive to Beijing. Finally, Beijing leaders seek to build a coalition of support for these policies in Hong Kong and, through this process, groom successors to the colonial elite now in power.

Opposition to these policies has come mainly from Hong Kong's newly enriched middle class, which, among other things, has demanded more participation in government decision making. In the Legislative Council's first direct elections in September 1991, for example, middle class voters participated in relatively high numbers and supported a new political party, the United Democrats of Hong Kong (*Minzhu Lianmeng*), that championed further expansion of representative government in Hong Kong.⁴⁵ In particular, the UDHK has called for an increase in the number of directly elected seats in Legco for the 1995 elections. These elections will choose the delegates to the Legislative Council that, under certain conditions, may be permitted to retain their seats for two years beyond 1997, that is to "ride the through train."⁴⁶ The Chinese government has said that the Basic Law cannot be amended to increase the number of directly elected seats until after 1 July 1997.⁴⁷

Critics have also deplored what they perceive to be the eroding autonomy of the Hong Kong government. They have charged that a Memorandum of Understanding, initialled by the prime ministers of Britain and China in September 1991 to resolve a dispute over funding of a new airport for Hong Kong,⁴⁸ gave too many concessions to China and, thus, undermined Hong Kong's autonomy.⁴⁹ The Memorandum requires that Britain consult China on major projects related to the building of the airport, stipulates that "consultation" in this instance means that both sides must agree before an airport project can be implemented, sets up consultative machinery that includes representatives of the Bank of China in Hong Kong and other China-related

organizations, limits Hong Kong's autonomy to borrow (the Hong Kong government may incur debt over the project in such a way that the future SAR government assumes only a debt of HK\$5 billion on 1 July 1997), and requires that the Hong Kong government leave HK\$25 billion in reserves for the future SAR government on 1 July 1997.⁵⁰ Critics charge that as a consequence of the Memorandum, the Hong Kong government must first seek the agreement of the authorities in Beijing before Hong Kong can initiate any major project, a condition that severely restricts the territory's autonomy.

Finally, proponents of increasing efficiency through privatization, within and outside of the Hong Kong government, have opposed China's conservative policy of preserving the scope of state activity in Hong Kong. Debate has centred around the decision of the Hong Kong government to privatize Radio Television Hong Kong, much as the government had done to public hospitals managed previously by the Medical and Health Department. According to the government, the purpose of the move was to decrease government spending and to increase efficiency. Chinese authorities have opposed the policy, arguing that the future SAR government will need its own radio and television broadcasting station. In addition, they have questioned the motives of the Hong Kong government. "It is obvious the subject of 'RTHK's independence' would never occur if there was no change of sovereignty," a *Wenhui bao* commentator writer pointed out.⁵¹ "Why initiate the change now, after sixty years of satisfactory operations?" the paper asked. China's policy is, thus, to maintain the scope of the state at its relatively expansive level of the early 1980s. All Hong Kong government privatization plans have been affected.

Critics have also opposed China's policy of maintaining a strong, executive-led government in Hong Kong during the transition period. In early 1992, the United Democrats, for example, argued (unsuccessfully) for a re-organization of the committee system within Legco to strengthen its ability to scrutinize legislation.⁵² From October 1991 to May 1992, because it contained a directly elected element (18 out of 60 seats), the legislature has challenged the government on a number of issues. For example, it forced the Financial Secretary to amend Hong Kong's budget for the first time.

The "new-look" Legco has also scrutinized the activities of government departments more carefully than before. China has reacted with alarm, reiterating that the Legislative Council is an unrepresentative

colonial institution with purely advisory powers. The NCNA's Zhang Junsheng pointed out in October 1991, that "[the Executive and Legislative Councils] are the Hong Kong government's advisory bodies, not a so-called legislative assembly and certainly not a representative one....This [advisory role] was the nature of the two bodies from their very inception and cannot be concealed by sophistry."⁵³

Reacting in part to these concerns and to London's frustration at China's increasing intervention in the administration of Hong Kong, the territory's new Governor, Christopher Patten, openly challenged Chinese authorities to permit an expansion of democracy in the territory in the run up to 1997. The new policy was a radical departure from the UK's previous policy of seeking "convergence."⁵⁴

In his 7 October 1992 address to Legco, Patten called for a modest expansion of the franchise in Hong Kong. He proposed to lower the voting age from 21 to 18, expand "functional constituencies" in Legco elections to include all working adults, and replace appointed members with directly elected members on the territory's district boards and on the Urban and Regional councils. In addition, the Governor proposed specific arrangements for the 1995 Legco elections that included the creation of an "election committee," similar to the one laid down in the Basic Law for post-1997 elections. Patten suggested, however, that the government appoint directly elected members of district boards to this body.⁵⁵

Chinese officials denounced the proposals as violations of the Sino-British Joint Declaration and the Basic Law. They were particularly incensed that Patten publicized the proposals without first negotiating them with Beijing, where they almost certainly would have been rejected. In a war of words that lasted more than six months, Lu Ping announced that because the British could not be trusted to ensure a smooth transition, China would set up a "second stove" to prepare for the transition, in the form of a Preparatory Work Committee. From October 1992 to April 1993, China refused to engage in substantive talks with the UK over transition matters. Consequently, no progress was made on key issues, such as the financing of the new airport. Then, in an about face, on April 14, Beijing agreed to talks on transition matters, including the 1995 Legco elections.⁵⁶ In mid-1993 the talks were continuing.

As a result of the Patten initiative, foreign policy concerns took on new prominence in China's Hong Kong policy. Activity in this area for

China has been concentrated mostly in Beijing, not in Hong Kong. The principal role of the NCNA in Hong Kong, however, has continued to be the building of a united front to support China's position.

The Role of the NCNA

In the political arena, the role of the NCNA has involved several functions: propagating China's policies in Hong Kong; supervising and controlling the activities of China's various organs stationed in Hong Kong; coordinating the activities of these organs; and, most importantly, building a coalition of support for China's policies in Hong Kong and, in the process, recruiting successors to staff Hong Kong's post-1997 political institutions.

Propaganda

The effort to identify and build constituencies for China's policies in Hong Kong and to mobilize them to support these policies has involved traditional propaganda and united front work. On the propaganda front, the NCNA has used its control of the 'leftist' media to criticize British and Hong Kong government policies that differ from its own on all of the issues discussed above. In addition, the NCNA has attacked the positions of prominent individuals. *Wenhui bao* and *Dagong bao* have criticized the positions of the leaders of the United Democrats on a variety of issues, especially denouncing their demand for more elected seats in Legco and their demand to reform the committee structure of Legco and so forth. Martin Lee Chu-ming and Szeto Wah, as leaders of the party, have been singled out for special criticism. Lee and Szeto attacked the Basic Law and have been active in the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China, which Beijing authorities have denounced as a 'subversive' organization.⁵⁷

The NCNA also has used its control of the 'leftist' media in Hong Kong to push China's policies in the territory. Commentaries and editorials in *Wenhui bao* and *Dagong bao*, authored by the writing group of the NCNA, have been a prominent feature of both dailies. On 9 April 1992, for example, *Wenhui bao* ran a commentary entitled, "Looking at China's Political Democracy From the Perspective of the National People's Congress," which reviewed NPC rules that permitted all delegates to express their views.

To exercise its control of the media, officials retired from the NCNA have occupied senior leadership positions in the newspapers. In mid-

1992 two former NCNA officials, Chen Bojian and Yang Qi, were deputy editor and editor of *Wenhui bao* and *Dagong bao*, respectively.⁵⁸ Still, these sorts of arrangements did not prevent *Wenhui bao*'s savage attack on the central leadership in June 1989. Mindful of the unreliability of the Hong Kong media, the NCNA has set up its own monthly magazine, *Bauhinia*, to express its views. The NCNA-managed media network also extends to the Sino-United Group in Hong Kong, which controls 'leftist' book publishers, such as Joint Publishing, Chung Hwa Book Co., and Commercial Press, as well as a host of other publishing activities. NCNA officials sit on the board of Sino-United.⁵⁹

The NCNA's propaganda work seeks to mold public opinion and, thus, to facilitate the implementation of China's Hong Kong policy. According to one source, these efforts may have had some effect. A survey conducted by Chinese University of Hong Kong's Lau Siu-kai in 1991, found that more than 50 percent of a random sample of 700 interviewees thought that during the last stages of the transition to 1997, China should "participate in Hong Kong affairs."⁶⁰

Supervision and Control

A second function of the NCNA is supervision and control of Mainland-based organizations in Hong Kong. Since 1990, the NCNA has attempted to supervise China's 1000 or more enterprises and trading companies in Hong Kong.⁶¹ Indeed, authorities appointed Wang Pinqing, former vice minister of MOFERT, as a deputy director of NCNA to oversee the readjustment (winding up and merger) of Mainland companies operating in Hong Kong. As a result of this campaign, 400 companies were wound up, and the NCNA banned Mainland-based organizations from setting up new companies for more than a year. Observers doubt the effectiveness of the controls, however.⁶²

In June 1991, the NCNA actively encouraged the formation of a Hong Kong Chinese Enterprises Association that has sought to group together all Mainland-based organizations "to increase exchanges and information." The China News Service reported that Work Committee members—the Bank of China Group, China Resources, China Merchants, and China Travel Service—"jointly initiated" the Association.⁶³ The Association may serve the NCNA's needs to maintain control over Mainland-based companies. It has joined the Chinese General Chamber of Commerce as a group member, however, and could engage in the kind of politically significant lobbying of the Hong

Kong government on behalf of China's Hong Kong policies that has characterized chamber of commerce-government interaction in the territory.

The NCNA's role in the supervision and control of Mainland-based organizations has extended to facilitating disciplinary work among all 'leftist' organizations. These activities range from maintaining files on the activities of journalists to facilitating the visits to Hong Kong of officials of the Ministries of Public and State Security. For example, the NCNA facilitated the work of officials from these ministries who came to Hong Kong in the wake of the June 4 incident to investigate the activities in China of dissident journalists employed by *Wenhui bao*.⁶⁴

On the whole, the NCNA has probably not been very effective in the supervision and control of Mainland-based organizations. Hong Kong journalists report that scores of organizations are able to operate in Hong Kong without the permission of the NCNA or without registration. Thus, membership of the Hong Kong Chinese Enterprises Association is probably confined to the large, well-established public operators in Hong Kong.⁶⁵

Coordination

A third function of the NCNA is to act as a liaison station or coordination point for the various official Chinese actors operating in Hong Kong. These include, on the one hand, the temporary visitors dispatched by various government agencies to Hong Kong and, on the other, the permanent network of government organizations established in the territory, such as the Chinese side of the Sino-British Joint Liaison Group and the Sino-British Land Commission. Representatives from these agencies probably meet with NCNA officials on a regular basis to coordinate China's Hong Kong policy.

United Front Work

The NCNA's chief function, however, remains united front work. At their best, united front work activities should involve identifying credible locals to speak out on China's behalf on critical issues. Since well before 1949, the CCP has appointed Hong Kong residents to consultative organizations in Beijing and Guangdong province (such as the National People's Congress or the Chinese People's Political Consultative Conference or their local affiliates).⁶⁶ With the transition to Chinese rule, these appointments have taken on a new urgency, and the net has been cast a little wider. Still, Beijing's choice of 93 advisors

on Hong Kong matters to the Chinese government, selected in two groups in March 1992 and March 1993, draws heavily from the same group of NPC and CPPCC delegates and Basic Law drafters and advisors who were active in the mid- and late-1980s. (See Tables 4a and 4b.)

Table 4a
Advisors to the Chinese Government from Hong Kong
Group I (March 1992)

- ANN Tse-kai, head of the One-Country-Two-Systems Economic Research Center; delegate to the **Chinese People's Political Consultative Conference** [CPPCC]; vice chairman of **Basic Law** [BL] Drafting Committee; chairman of BL Consultative Committee
- CHA Chi-ming, head of China Dyeing and Printing; member of BL Drafting Committee
- CHAN Yut-sun, vice chairman of Heung Yee Kuk
- CHENG, Alice, vice chairman of the Chinese General Chamber of Commerce; delegate to CPPCC; member of the One-Country-Two-Systems Economic Research Center
- CHENG Kai-nam, middle school teacher; chairman of the Hong Kong People's Forum; vice chairman of the Hong Kong Association of Education Workers; vice chairman of the Hong Kong Eastern District Association of Various Circles; member of BL Consultative Committee; failed Legco candidate [See Table 6]
- CHENG Wai-kin, Edgar, Sir Y.K. Pao's son-in-law; director of the One-Country-Two-Systems Economic Research Center
- CHENG Yiu-tong, chairman of the Hong Kong Federation of Trade Unions; delegate to **National People's Congress** [NPC]; member of BL Consultative Committee
- CHU Yu-lin, David, director of Aircraft Technology; member of Airport Consultative Committee
- CHUNG, Sir Sze-yuen, former Legislative and Executive Councillor; chairman of Hong Kong University of Science and Technology Preparatory Committee
- FOK Ying-tung, Henry, tycoon; and former member of BL Drafting Committee; former delegate to NPC Standing Committee; delegate to CPPCC
- FONG Wong Kut-man, Nellie, accountant; former Legislative Councillor
- HU Fa-kuang, chairman of the Liberal Democratic Federation; former

- Legislative Councillor; member of BL Consultative Committee; former Chairman of the Land Development Corporation
- KAN Fook-ye, director of Knight Frank Kan and Ballieu chartered surveyors; delegate to CPPCC and member of BL Consultative Committee; member New Hong Kong Alliance
- KWONG Kong-kit, Peter (Rev.), Anglican Bishop of Hong Kong and Macau; member of BL Drafting Committee; and member of BL Consulting Committee
- LAU Wong-fat, head of the Heung Yee Kuk; Legislative Councillor; member of BL Drafting Committee
- LEUNG Chun-ying, director of Jones Lang Wootton realtors; member of BL Drafting Committee; member of the One-Country-Two-Systems Economic Research Center
- LI Fook-sean, Simon, retired Judge of the Appeals Court; member of BL Drafting Committee
- LI Ka-shing, CEO of Cheung Kong Group; Hutchison Group; member of BL Drafting Committee
- LI Kwok-po, David, Legislative Councillor and chief executive of the Bank of East Asia; former Vice-Chairman of BL Drafting Committee; member of the One-Country-Two-Systems Economic Research Center
- LIAO Poon-huai, Donald, former Secretary for Home Affairs, Hong Kong government; and former member of the Sino-British Joint Liaison Group
- LITTON, Henry, Queen's Counsel; High Court Judge; Legal Advisor to the BL Consultative Committee; member of New Hong Kong Alliance [Resigned when he was appointed a Judge]
- LIU Yiu-chu, delegate to the NPC; member of BL Drafting Committee
- LO Hong-sui, Vincent, head of Shui On Group of companies; member of BL Consultative Committee; Chairman of the General Chamber of Commerce; founder of the Business and Professional Federation of Hong Kong
- LO Tak-shing, former Executive Councillor; founder of New Hong Kong Alliance
- MUN Kin-chok, Dean of Business Administration, the Chinese University of Hong Kong; delegate to CPPCC
- NG Chee-siong, Robert, chairman of Sino Land; member of the Airport Consultative Committee
- NG Hong-man, principal of Pui Kiu Middle School; delegate to NPC; member of the BL Consultative Committee

- SHAO You-bao, chairman of the Bank of Tokyo; member of BL Consultative Committee; member Airport Consultative Committee
- SHAW, Run Run, CEO of Shaw Brothers Film Group
- SIK Kok Kwong (Rev.), president of the Hong Kong Buddhist Association; member BL Drafting Committee
- TAM Wai-chu, Maria, former Executive and Legislative Councillor; member of BL Drafting Committee; Founder of Liberal Democratic Foundation
- TANG Hsiang-chien, managing director of Soco Textiles (HK) and Council Member of the Chinese University of Hong Kong; delegate to CPPCC, member of the BL Consultative Committee
- TONG Yat-chu, Albert, executive director of the Construction Industry Training Association
- TSANG Hin-chi, managing director of Goldlion (clothing manufacturers); delegate to NPC; member of BL Consultative Committee
- TSO Wung-wai, senior lecturer at the Department of Biochemistry, the Chinese University of Hong Kong; member of the BL Consultative Committee; member of New Hong Kong Alliance
- TSUI Tsin-tong, head of China Paint and City Bus; Head of New China Hong Kong Group
- TUNG Chee-wah, director of Oriental Overseas Container Line; member of the BL Consultative Committee
- WONG Po-yan, member of the Provisional Airport Authority; Airport Consultative Committee; member of BL Drafting Committee; member of the One-Country-Two-Systems Economic Research Center
- WONG Yu-hong, Philip, Legislative Councillor; former deputy chairman of the stock exchange; member of the BL Consultative Committee
- WU Wai-yung, Raymond, member of the BL Consultative Committee; Vice Chairman of Liberal Democratic Foundation
- WU Ying-sheung, Gordon, managing director of Hopewell Holdings; builder of the Guangzhou-Shenzhen-Zhuhai highway
- XU Simin, publisher of *Mirror* magazine; delegate to CPPCC
- ZEE Sze-Yung, professor at the University of Hong Kong; delegate to NPC; member of BL Consultative Committee; member of New Hong Kong Alliance

Source: *South China Morning Post*, 12 March 1992. Names are mostly in customary romanization.

Table 4b
Advisors to the Chinese Government from Hong Kong
Group II (29 March 1993)

- AKERS-JONES, Sir David, former Hong Kong Government Chief Secretary; former chairman of Housing Authority; member of Business and Professional Federation; member BL Consultative Committee
- CHAN Wa-shek, manager of a security company; former Commissioner of Correctional Services
- CHAN Wing-kee, deputy manager of Yangtze-kiang Garments; member of Business and Professional Federation; member of BL Consultative Committee
- CHAN Yiu-wah, retired professor of Chinese University of Hong Kong
- CHAN Yuen-han, vice-chairman of Federation of Trade Unions; failed Legco candidate
- CHAO Kuang-piu, chairman of Novel Enterprises; founder of Dragon Air
- CHENG Yu-tong, chairman of New World Development; member of Business and Professional Federation; member of BL Consultative Committee
- CHEONG Kam-chuen, Stephen, managing director of Lee Wah Weaving Factory; Legislative Councillor representing Federation of Hong Kong Industries; vice chairman of Business and Professional Federation; member of BL Consultative Committee [Deceased]
- CHEUNG Yan-lung, chairman of Regional Council; leader of Heung Yee Kuk; vice-chairman of Federation for the Stability of Hong Kong; former Legislative Councillor
- CHEUNG Yau-kai, pro-vice chancellor of University of Hong Kong
- CHIANG Chen, chairman of Chen Hsong Holdings (plastics)
- CHEARAVANONT, Dhanin, chairman of Chia Tai International; chairman of Charoen Pokphand Group
- HARILELA, Hari, chairman of Harilela Group; member of BL Consultative Committee
- HAU Shui-pui, retired worker; chairman of Kwun Tong Man Chung Friendship Promotion Association; elected member of Kwun Tong District Board; failed Legco candidate
- KAO Kuen, Charles, vice-chancellor of Chinese University of Hong Kong
- KUOK Hock-nien, head of Kerry Group, owner of Shangri-La hotels

- KWOK Chi-kuen, Philip, director of Wing On Group; member of Business and Professional Federation; member of BL Consultative Committee; former Urban Councillor
- KWOK Ping-shueng, Walter, chairman of Sun Hung Kai Properties; member of Governor's Business Council
- LAU Hon-chuen, Ambrose, partner of Chu and Lau Solicitors; President of Law Society; chairman of Central and Western District Board; member of Airport Consultative Committee
- LAU Siu-kai, professor at Chinese University of Hong Kong
- LEE Lin-sang, president of New Territories Association of Societies; delegate to NPC; member of Airport Consultative Committee; member of BL Consultative Committee
- LEE Ming-kwan, professor at Hong Kong Polytechnic
- LEE Peng-fei, Allen, industrialist; appointed Legislative Councillor; former Executive Councillor; convenor of Preparatory Committee for the Liberal Party
- LEE Shau-kee, chairman of Henderson Land; member of Business and Professional Federation; chairman of Hong Kong and China Gas
- LEE Yeh-kwong, Charles, solicitor and accountant; chairman of Stock Exchange; member of Governor's Business Council
- LEUNG Oi-sie, Elsie, solicitor; vice president, International Federation of Women Lawyers; member of the Social Welfare Advisory Committee; member of the Tax Appeals Committee; member of NPC [See Table 6]
- LEUNG Ding-pong, Ronald, chairman of Kwong On Bank; chairman of Urban Council
- LIM Por-yen, chairman of Lai Sun Group; chairman of Asia Television
- MA Lik, chief editor of *Hong Kong Commercial Daily*; deputy secretary of BL Consultative Committee; founding member of DAB
- NG Ching-fai, dean of Science Faculty, Hong Kong Baptist College
- NGAI Shiu-kit, chairman of Yat Fung Developments; Legislative Councillor, representing Chinese Manufacturers' Association
- POON Kwok-lim, Steven, head of Bright World Enterprise; appointed Legislative Councillor
- SHIU Sin-por, executive director of One-Country-Two Systems Economic Research Institute; former deputy secretary of BL Consultative Committee
- TAM Yiu-chung, vice chairman of the Federation of Trade Unions; Legislative Councillor representing labour; member of BL Consultative Committee [See Table 6]

- TAN Man-kou, partner of Kwan Wong Tan and Fong accountants; Legislative Councillor; delegate to CPPCC; member of Airport Consultative Committee
- TSANG Yok-sing, middle school principal; former delegate to Guangdong provincial CPPCC and provincial people's congress [PPC]; brother of Tsang Tak-sing, an NPC delegate and editor of *Dagong bao* [See Table 6]
- TSE Chi-wai Daniel, president of Baptist College; former Executive and Legislative Councillor; member of BL Consultative Committee
- WANG Liang-huew, professor at University of Hong Kong; member of Airport Consultative Committee
- WEN, Carson, solicitor; delegate to Guangdong provincial people's congress [PPC]; former Kwun Tong District Board member
- WONG Hock-hoi, Hocking, president of International Affairs College; contributor to *Dagong bao* and *Wenhui bao*
- WONG King-keung, engineer; chairman of New Mark Co; airport advisor
- WONG Siu-lun, professor at University of Hong Kong
- WONG Ying-wai, Wilfred, vice president of K. Wah International; former deputy secretary of the Civil Service; member of BL Consultative Committee
- WOO Chia-wei, vice chancellor of Hong Kong University of Science and Technology
- WOO Kwong-ching, Peter, chairman of Wharf Holdings; member of BL Consultative Committee; member of Governor's Business Council
- WU King-cheong, Henry, chairman of Hong Kong Stockbrokers' Association; vice president of Gold and Silver Exchange
- WU Suk-ching, Annie, general manager of Hong Kong World Trade Centre; delegate to CPPCC; member of BL Consultative Committee
- YEUNG Yiu-chung, middle school principal; chairman of Federation of Education Workers; delegate to Guangdong PPC
- YUEN Pak-yiu, Philip, solicitor; delegate to CPPCC; member of BL Consultative Committee; brother-in-law of Lo Tak-shing; member of New Hong Kong Alliance

Source: *South China Morning Post*, 30 March 1993, p. 3. Names are mostly in customary romanization.

In July 1993, Chinese authorities drew from among these advisors to staff the Hong Kong membership of its Preliminary Working Committee for the Hong Kong SAR Preparatory Committee [*Xianggang*

tequ chouweihui yubei gongzuo weiyuanhui). (See Table 5.) The Preliminary Working Committee, chaired by Vice Premier, Foreign Minister, and Politburo member, Qian Qichen, is tasked with “studying the problems of ensuring that Hong Kong’s political, economic, legal, social, and cultural affairs can converge with the Basic Law, and offering relevant suggestions.”⁶⁷ The united front character of the Committee was underscored by NCNA Chief, Zhou Nan. He pointed out that the Committee’s function was to “bridge the gap between Hong Kong and the Mainland, unite the broad Hong Kong residents to carry out ‘one-country, two-systems,’ protect Hong Kong’s prosperity and stability and [ensure] a smooth transition to 1997.”⁶⁸

Table 5
Hong Kong Members of the Preliminary Working Committee
of the Hong Kong SAR Preparatory Committee (16 July 1993)

Vice Chairmen

ANN Tse-kai
FOK Ying-tung, Henry
LI Fook-sean, Simon

Members

CHA Chi-ming	LO Hong-sui, Vincent
CHAN Yat-sun	LO Tak-shing
CHU Yu-lin, David	NG Hong-mun
CHUNG Sze-yuen	NGAI Shiu-kit
FAN Hsu Lai-tai, Rita	SHAO You-bao
FONG Wong Kut-man, Nellie	TAM Wai-chu, Maria
LAU Siu-kai	TAM Yiu-chung
LAU Wong-fat	TSANG Hin-chi
LAW Shuk-ching	TSANG Yok-sing
LEE Chak-tim	TSUI Tsin-tong
LEUNG Chun-ying	WONG Po-yan
LI Ka-shing	WU Wai-yung, Raymond
LI Kwok-po, David	XU Simin
LIU Yiu-chu	

Note: See Tables 4a and 4b for biographical information. Lee Chak-tim was Chairman of the Hong Kong Federation of Trade Unions and a former Basic Law drafter. Law Shuk-ching was Chairman of the Hong Kong Glaziers Union.

In addition to identifying individuals and mobilizing them to speak out in support of party policies, the NCNA has also actively supported the creation of a dense network of grass-roots organizations for largely the same purposes. These organizations are based on geographic regions, broad social categories such as youth or women, or occupation groups. The network of "associations of people from various circles," set up in 1991 in most urban regions of Hong Kong and Kowloon, is an example. The NCNA has also encouraged similar support groups in the New Territories, such as the New Territories Association of Societies, estimated to have 60,000 members.⁶⁹ To this should be added more traditional sources of support, such as the 175,000 strong Hong Kong Federation of Trade Unions.⁷⁰ Finally, united front work among intellectuals is centred in the "One-Country-Two-Systems Economic Research Centre," an organization that has brought together many of those who were active in the Basic Law consultative process.

An integral part of united front work is the NCNA's role in the recruitment of leaders to staff Hong Kong's post-1997 political institutions. Given the importance of personal rule and the weakness of political institutions in China, NCNA/Work Committee leaders and officials in Beijing undoubtedly place great emphasis on the careful identification of reliable and effective leaders to manage the SAR.

In some sense, the CCP has been selecting leaders for Hong Kong since it began nominating Hong Kong residents to sit on various advisory bodies in China, such as the NPC and CPPCC. Over time, however, the party has learned more about the people they have chosen to represent Hong Kong. Struggles among the political elite in Beijing and the reactions of people in Hong Kong to the struggles have added a further dynamic element to the leadership selection process.

The NCNA will probably look for leadership in 1997 to individuals who are currently members of certain fluid groups. On the one hand, the advisors, identified above, provide some clues. This group is dominated by wealthy business elites, traditional supporters of China's united front policy in Hong Kong.⁷¹ The NCNA can turn to them to support China's policy on Hong Kong in various policy forums. On the other hand, the preparatory committee of a new political party, the Democratic Association for the Betterment of Hong Kong (*Mingzhu Jian Gang Lianmeng*), indicates that the NCNA realizes that, if electoral politics is involved, it must broaden its appeal. (See Table 6.) The NCNA undoubtedly hopes that the new party will reverse the poor showing of NCNA-backed candidates in the September 1991 Legco elections, and

that once in Legco, the party will be mindful of central government concerns. The committee is drawn from representatives of Mainland-backed companies, to provide financial backing; local-level politicians, mainly elected district board members, to provide electability; and trade union activists, to provide the votes. Several are also members of various advisory organizations in China.⁷²

Table 6
Preparatory Committee of the Democratic Alliance
for the Betterment of Hong Kong

- CHAN Kam-lam, shipping services manager; elected member of the Kwun Tong District Board; director of the Kuntong People's Association; member of the Standing Committee of the Kowloon-East Association of Various Circles
- CHAN Lup-chi, deputy manager of China Travel Service Group; director of the Hong Kong Association of China Travel Organizers
- CHAN Yuen-han, trade unionist; member of the Standing Committee of the Hong Kong Federation of Trade Unions; director of the Hong Kong Department Store Commercial Workers Union
- CHENG Kai-nam, [See Table 4a]
- CHOW Charn-ki, barrister; member of the Guangdong CPPCC; advisor to the Chinese Reform Association (*huagehui*); advisor to the Hong Kong Law Research Association of the China Law Society
- HO King-on, middle school teacher; vice chairman of the Hong Kong Association of Education Workers; member of the Hong Kong Educators Centre Consultative Management Committee; member of the Airport Advisory Committee; vice chairman of the Kowloon Association of Various Circles
- IP Kwok-chung, transport industry manager; Urban Councillor; elected member of the Yaumatei-Tsimshatsui District Board; vice chairman of the Social Affairs Committee of the Hong Kong Federation of Trade Unions
- IP Kwok-him, middle school teacher; elected member of Central and Western District Board; chairman of the Youth Section of the Western District Kaifong Association
- KAN Chi-ho, aircraft technician; elected member of the Wongtaisin District Board; chairman of the Hong Kong Aviation Industry General Union; secretary general of the Hong Kong, Kowloon, New

- Territories Public Housing Residents and Retailers Association; secretary general of the Kowloon-Eastern Residents' Association
- LEUNG Oi-sie, Elsie, [See Table 4b]
- LEUNG Yui-lam, social worker; director of the New Territories Social Work Alliance; director of the Hong Kong and Kowloon Association of Flowers and Plants Employees; member of the Executive Committee of the Federation for the Stability of Hong Kong
- LO Chi-keung, doctor; vice chairman of the Kowloon Western District Association of Various Circles
- NGAN Kam-chuen, local mainland bank manager; member of the Regional Council; director of New Territories Association of Industry and Commerce; director of the Yuen Long Sports Association; director of the Yuen Long City Hall Management Committee
- PUN Kwok-wa, company director; member of the Association for Modernization; member of the Association for a Better Hong Kong
- TAM Yiu-chung, spokesman for the DAB [See Table 4b]
- TSANG Yok-sing, chairman of the DAB [See Table 4b]
- WONG Kine-yuen, deputy general manager of a local mainland bank; Vice Chairman of the Hong Kong Eastern District Association of Various Circles
- WONG Kwok-hing, trade unionist; elected member of the Eastern District Board; director and Secretary General of the Eastern District Association of Various Circles (*dongju gejie xiehui*); vice chairman of the Hong Kong Federation of Trade Unions Social Affairs Committee

Source: *Wenhui bao* (Hong Kong), 21 May 1992. Names appear in Cantonese romanization.

The NCNA is currently grooming the first generation of Hong Kong's post-colonial leadership. It will probably come from among the activists identified here. Loyalty to China's policy on Hong Kong and credibility in the territory will probably be the two most important criteria for selecting the new leaders. Which among these individuals will be selected by the NCNA is difficult to predict at this stage.

Conclusion

The NCNA/Work Committee is a body alien to Hong Kong, staffed by 'outsiders,' implementing the policy of another government in Hong

Kong. It has been reasonably successful at imposing Beijing's view of central-local relations and at resisting change to or reform of Hong Kong's political institutions during the past several years. Its influence will undoubtedly grow as Hong Kong moves closer to 1997.

In spite of its position 'outside' the formal political system and out of power, it has been relatively successful at building links to the community. The large numbers of associations established in Hong Kong with links to the NCNA are testimony to that.

However, in its courting of the wealthy business community and the working class through the trade union movement, it has perhaps deliberately ignored Hong Kong's middle class. The middle class is the least content with the status quo and, in particular, has demanded a greater share of power. This is precisely what the party cannot give. Consequently, the NCNA/Work Committee is likely to remain alienated from this group in Hong Kong society.

Hong Kong's middle class has protested by voting for the United Democrats and by demonstrating on the streets of Hong Kong for further democratic reform. It has also provided the bulk of the emigrants leaving Hong Kong, at a rate of more than 60,000 per year. Yet, the middle class is a strategic resource providing managerial and professional talent that is critical to the territory's survival.

In the post-1997 Hong Kong, the NCNA may be replaced by an "Office of the State Council Stationed in Hong Kong." Its officials will probably continue to be appointed by the central party/state and continue to be dominated by 'outsiders' (the rule of avoidance). After 1997 the SAR may set up its own office in Beijing to liaise with or lobby the central government and to look after the interests of Hong Kong people. However, to have real influence, Hong Kong must develop its own strong, indigenous political institutions, including a political party or parties that is (are) mass-based, not merely cliques of notables as is now the case. Only then will Hong Kong be able to engage the central CCP and begin to adequately represent the interests of Hong Kong to China.

Notes

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1. See Ian Scott, *Political Change and the Crisis of Legitimacy in Hong Kong* (Hong Kong: Oxford University Press, 1989).
2. See the political economy literature on Hong Kong as a mini-dragon, e.g., Steven M. Goldstein, ed., *Minidragons: Fragile Economic Miracles in the Pacific* (Boulder: Westview, 1991).
3. This paper is based in part on a number of interviews conducted with knowledgeable people in Hong Kong. Some of them have worked for 'leftist' organizations in the territory. I also approached the New China News Agency directly seeking permission to interview officials for this paper on the duties of the NCNA, the backgrounds of the NCNA's leadership, the official duties of the departments of the NCNA, and the activities of the NCNA in Hong Kong. I was told to submit my questions in writing, which I did. The NCNA then refused permission for the interviews. I have also relied on a number of books and articles that have appeared on the role of the NCNA in Hong Kong. They include: Li Gucheng, *Qianshao mianpu* [Guide to the advance guard] (Hong Kong: Fanrong chubanshe, 1991); Xuan Yuange *Xinhuashe toushi* [New China News Agency perspective] (Hong Kong: Guangqiaojing chubanshe, 1987); Long Xin, *Xianggangde lingyige zhengfu* [The other Hong Kong government] (Hong Kong: Haishan tushu gongsi, n.d.). Articles include: John P. Burns, "The Structure of Communist Party Control in Hong Kong," *Asian Survey* 30, no. 8 (August 1990), pp. 748-765; Ming K. Chan and Tuen-yu Lau, "Dilemma of the Communist Press in a Pluralistic Society: Hong Kong in the Transition to Chinese Sovereignty, 1988-1989," *Asian Survey* 30, no. 8 (August 1990), pp. 731-747; and Joseph Man Chan and Chin-Chuan Lee, "Power Change, Co-optation, Accommodation: Xinhua and the Press in Transitional Hong Kong," *The China Quarterly*, no. 126 (June 1991), pp. 290-312. The structure of the NCNA has been extensively reviewed in *Dangdai* [Contemporary] monthly, beginning in late 1989. *Dangdai* was set up in 1989 by former employees of *Wenhui bao*, who were dismissed for insubordination by the NCNA after the 4 June 1989 incident.
4. "The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China," (April 1990).
5. See Daniel Kwan, "Merger of Two Systems Proposed," *South China Morning Post*, 6 March 1991, p. 1.
6. Ibid. Commentators speculate that Beijing turned down the proposal because central authorities did not want to see the spread of Hong Kong-style capitalism in South China which could spawn new and more difficult to control demands for political reform on the Mainland.
7. Ling Shuet-Kwan writing in *Zhengming* [Contending] (August, 1992), translated in *South China Morning Post*, 9 August 1992. Yang may be the head of a CCP central united front work leading small group. In the early 1980s, the party's Central Hong Kong and Macau Work Small Group (*Zhongyang Gang-Ao Gongzuo Xiaozu*) had overall responsibility for making policy on Hong Kong. See the reference to this group in Wu Peilun, *Woguo de zhengfu jigou gaige* [Organizational reform of our country's government]

(Beijing: Jingji ribao chubanshe, 1990), p. 549. Liao Chengzhi exercised day-to-day leadership over policy in this area until his death in 1983.

8. Members of the Central Foreign Affairs Leading Small Group in 1992 were Premier Li Peng (chairman), Vice Premier and Politburo member Wu Xueqian (vice chairman), Foreign Minister and CCP Central Committee member Qian Qichen (vice chairman), and Liu Shuqing, head of the State Council's Office of Foreign Affairs (secretary general of the small group). See *China Directory, 1992* (Tokyo: Radio Press, 1991), p. 26. These individuals were appointed or re-appointed in December 1989.

9. In 1992 Zhang Jingfu was identified as the secretary general of this group. See *ibid.*

10. See Daniel Kwan's interview with Lau Yui-siu, deputy chief editor of *Dangdai* [Contemporary] in *South China Morning Post*, 12 October 1992. Lau said: "At present, all major decisions related to Hong Kong are made by the powerful Foreign Affairs Leading Group headed by the Prime Minister, Mr. Li Peng." Lau went on: "We should not forget that Zhou [Nan] is a career diplomat. And both Lu [Ping] and Zhou [Nan] have been following the policies laid down by the [Foreign Affairs] Leading Group faithfully in the past three years." In 1992, Zhou Nan headed the NCNA, Hong Kong Branch, while Lu Ping headed the State Council Hong Kong and Macau Affairs Office.

11. Guojia jigou bianzhi weiyuanhui bangongshi [General Office of the State Organization and Establishment Committee] (ed.), *Zhongguo zhengfu jigou (1990)* [China's government organs, 1990] (Beijing: Zhongguo jingji chubanshe, 1990), p. 290.

12. *Ibid.* In 1987, the Office's approved establishment was 100, although it employed only 82 cadres. Laodong renshibu bianzhiju [Ministry of Labour and Personnel, Establishments Bureau] (ed.), *Zhonghua Renmin Gongheguo Guowuyuan zuzhi jigou gaiyao, 1987* [Outline of the organizations and organs of the State Council of the People's Republic of China, 1987] (Beijing: Gongren chubanshe, 1988), p. 341. Obviously the establishment of the Office was cut during the 1988-1989 organizational reform of the State Council.

13. Li, *Qianshao mianpu*, p. 227.

14. *Ibid.*, pp. 270-272.

15. She is still listed as head of the bureau in *China Directory, 1992* (Tokyo: Radio Press, 1991), p. 139. Li, *Qianshao mianpu*, indicates that Zhu retired in late 1990 to become an advisor to the Macau Branch of the NCNA. Mo Ruiqiong, deputy head of the No. Two Bureau, became acting Bureau Chief of the No. Three Bureau. See p. 259.

16. See Li, *Qianshao mianpu*, pp. 40 and 181.

17. These figures are for 1990 and were published in two separate articles in *South China Morning Post*, 27 May 1990 and 11 June 1990.

18. See Chris Yeung, "NCNA's new office to monitor HK's 'latest developments,'" *South China Morning Post*, 29 January 1991. The Chinese and Hong Kong governments have also agreed that a "Ministry of Public Security Liaison Official" (*Gongan Bu pai lianluoyuan ju Gang*), composed of no more than two to three individuals, will be stationed in Hong Kong within the NCNA to handle liaison matters between the Hong Kong and Mainland police forces. The Hong Kong government requested this move to help stem a mounting crime wave. See *Wenhui bao*, 10 May 1992 and 13 May 1992.

19. Li, *Qianshao mianpu*, p. 153.

20. *Ibid.*, pp. 131-133 and 153.

21. *Ibid.*, pp. 123-129.

22. Supplemented with Li, *Qianshao mianpu*, pp. 136-162.

23. In 1990 the Hong Kong press printed many stories about the imminent departure of Zheng Hua because of his close ties to Xu. As of this writing, however, he remains in his post. See *South China Morning Post*, 13 June 1990 and 26 October 1990.

24. *Ibid.*, 11 May 1990.

25. In April and May 1989, employees of many Mainland-based organizations in Hong Kong, including employees of the NCNA, supported the democracy movement in Beijing, and demonstrated in Hong Kong to oppose the imposition of martial law and the killings that occurred in Beijing on the night of June 3-4. A 'leftist' newspaper, *Wenhui bao*, for example, denounced the official violence as "fascist" and demanded the ouster of the "fascist clique of Deng [Xiaoping]-Yang [Shanqui]-Li [Peng]." The director of the NCNA was blamed for failing to suppress the dissent and for lax discipline in Hong Kong. On 29 April 1990, fearing that he might be arrested, already retired Xu fled from Shenzhen to the United States to seek political sanctuary. On April 30, a day after Xu fled, Qin Wenjun, then deputy secretary of the Shenzhen party committee, acting on instructions from central party authorities, attempted (and failed) to find Xu and retrieve his passport. See Li, *Qianshao mianpu*, p. 72.

26. The following paragraphs are based on a number of interviews with former employees of 'leftist' organizations in Hong Kong and other knowledgeable people who do not want to be identified.

27. *Wenhui bao*, 6 January 1992.

28. One of the functions of the Work Committee is to manage the activities of Hong Kong's CCP. In 1991 journalists estimated the number of party members in Hong Kong at from 10,000 to 30,000. See *South China Morning Post*, 30 June 1991.

29. Deng Feng, "Xianggang Xinhuashe—Gongwei caigande waiyi," *Dangdai* [Contemporary] No. 4 (16 December 1989), p. 19. In 1991, Li Gucheng, *Qianshao mianpu*, p. 44.

30. From interviews in Hong Kong.
31. Laodong renshibu bianzhiju (ed.), *Zhonghua Renmin Gongheguo Guowuyuan zuzhi jigou gaiyao 1987*, p. 341.
32. Wu Peilun, *Woguode zhengfu jigou gaige* [Organizational reform of our country's government] (Beijing: Jingji ribao chubanshe, 1990), p. 549. This material is not identified as a submission to the Commission, but it is my speculation that it comes from that source.
33. The 1990 job description appeared in an unrestricted book, published after the 1988-1989 organization reforms of the State Council had been accomplished under Zhao Ziyang's direction. One of his policies was to "separate the functions of party and state." The 1987 job description, probably a more accurate reflection of current practice, was published in an internal (*neibu*) publication.
34. Li, *Qianshao mianpu*, pp. 97 and 215.
35. *Ibid.*, p. 41.
36. Quoted in Wu Peilun, *Woguode zhengfu jigou gaige*, p. 549.
37. See John P. Burns, "Strengthening Central CCP Control of Leadership Selection: the 1990 *Nomenklatura*," *The China Quarterly* (forthcoming).
38. That is, I believe the situation depicted in Figure 1 of this paper, as adapted from Li Gucheng, *Qianshao mianpu*, has changed. The NCNA/Work Committee probably ranks just below minister/provincial governor level at vice minister/vice governor level.
39. Curiously, *Dangde zuzhi gongzuo dashiji, 1978-1988* [Chronology of events of party organization work, 1978-1988], edited by the Organization Department, reports that Xu Jiatus was appointed both head of the NCNA, Hong Kong Branch, and secretary of the Work Committee at the same time. The entry for Zhou Nan only reports that he was appointed head of the NCNA, Hong Kong Branch.
40. Li, *Qianshao mianpu*, pp. 62-64.
41. *South China Morning Post*, 8 February 1991.
42. This discussion ignores China's policies in the economic, social, cultural, and other arenas.
43. Although the Sino-British Joint Declaration provides for the future legislature of the Hong Kong SAR to be "constituted by elections," the National People's Congress has ruled that directly elected members of the Legislative Council will only occupy 20 of the Council's 60 seats in 1997. Of the remainder, 10 will be appointed by a China-controlled election committee, and 30 members will be chosen by various functional constituencies.

cies. See the "Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Future of Hong Kong" [hereafter, Sino-British Joint Declaration], 1984, Annex I, Section 1; and "Decision of the National People's Congress on the Method for the Formation of the First Government and the First Legislative Council of the Hong Kong Special Administrative Region," 4 April 1990.

44. China's position on this matter has undoubtedly evolved over time. Until the airport issue emerged (the decision to build it was announced hastily in October 1989 by the governor of Hong Kong, David Wilson, without the benefit of detailed plans or costing, as a confidence boosting measure in the wake of the 4 June 1989 crackdown on dissent in Beijing), in the context of strained relations between China and Hong Kong, the Chinese government may not have consciously pursued such a policy. The situation has changed, however.

45. Louie et al. reports that "voters with higher SES [socio-economic status], in particular those with higher educational attainment, voted in greater proportion" in the 1991 elections. See Louie Kin-sheun et al., "Who Voted in the 1991 Elections? A Socio-Demographic Profile of the Hong Kong Electorate," in *Hong Kong Tried Democracy: The 1991 Elections in Hong Kong*, eds. Lau Siu-kai and Louie Kin-sheun (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong, 1993), p. 35. Tsang Wing-kwong, writing in the same volume, concludes that "the profile of the definite supporters of the UDHKMP [United Democrats of Hong Kong-Meeting Point] alliance is that they were public housing residents, relatively well educated, non-manual labourers or above, higher income groups and young employees." Tsang Wing-kwong, "Who Voted for the Democrats: An Analysis of the Electoral Choice of the 1991 Legislative Council Election," in *ibid.*, p. 128.

46. See many articles in the Hong Kong press in May 1992, including *South China Morning Post*, 31 May 1992.

47. *South China Morning Post*, 23 May 1992.

48. To build the HK\$129 billion airport, the Hong Kong government will rely in part on private funding, including loans that will be repaid after 1997 by the SAR government. The Hong Kong government sought China's endorsement of the project to ensure bankers that the future SAR government would continue to guarantee the loans after 1997. These guarantees were necessary to attract the interest of the banks. The Chinese government, which had not been consulted on the decision to build the airport, refused to endorse the project without seeing the detailed plans. Months of acrimonious debate delayed the project. The impasse was only broken by the intervention of the prime ministers of both countries which resulted in the signing of a Memorandum of Understanding on 3 September 1991.

49. See Frank Ching, "Erosion of Hong Kong's Autonomy Bites Deeper," *South China Morning Post*, 4 October 1991.

50. See the Memorandum of Understanding, 4 July 1992, published in *ibid.*, 5 July 1992.
51. Translated in *ibid.*, 23 February 1992.
52. See *ibid.*, 3 October 1991 and 4 October 1991.
53. Quoted in *ibid.*, 3 October 1991.
54. See the statement of Timothy Renton (Minister of State at the Foreign Office in charge of Hong Kong affairs) on his conversations with Ji Pengfei, head of the Hong Kong and Macau Affairs Office at the time. "We agreed above all on the need for convergence between the system that is evolving in Hong Kong ... and the system to be laid down in the Basic Law." *South China Morning Post*, 21 January 1986. See also Governor David Wilson's statement as reported in *ibid.*, 8 June 1992.
55. Christopher Patten, "Our Next Five Years: The Agenda for Hong Kong," Speech delivered at the Legislative Council, 7 October 1992.
56. *South China Morning Post*, 14 April 1993. See also, John P. Burns, "Hong Kong in 1992: Struggle for Authority," *Asian Survey* 33, no. 1 (January 1993), pp. 26-29.
57. See *South China Morning Post*, 17 September 1992, for Lu Ping's warning that subversive elements within Legco were ineligible for the 'through train' to 1997. For examples of the criticism, see commentary "Revision of the Basic Law," *Wenhui bao*, 31 May 1992, p. 7.
58. Wang Guohua, chief editor of the Shandong People's Publishing House, took over from Yang Qi as publisher of *Dagong bao* in late 1992. Liu Caiming, formerly employed by Guangdong's CCP-owned *Nanfang Ribao* and then by the NCNA in Hong Kong, became chief editor of *Wenhui bao* during the same year. Interview, 25 July 1993, Hong Kong.
59. Emily Lau, "Media's Red Barons," *Far Eastern Economic Review*, 27 September 1990, pp. 24-26.
60. *Wenhui bao*, 6 April 1992.
61. According to Elizabeth Cheng, "Under the Carpet," *Far Eastern Economic Review*, 1 November 1990, p. 58, there were more than 4,000 China-based companies and organizations in Hong Kong. The "house cleaning" wound up 400 of these.
62. *Far Eastern Economic Review*, 1 November 1990.
63. Chris Yeung, "Business Group to Help Economic Ties," *South China Morning Post*, 1 June 1991. See also *Wenhui bao*, 7 June 1991.

64. Interviews in Hong Kong.

65. See the list published in *Wenhui bao*, 7 June 1991.

66. For a list of Hong Kong's 18 NPC delegates in 1992, see *South China Morning Post*, 19 March 1992. Of the 18, two were advisors to the Bank of China, Hong Kong Branch; two came from the Hong Kong Federation of Trade Unions; one from a 'leftist' middle school; one from *Dagong bao*; one from the 'leftist' New Territories Association; one retired from China Resources; and Zhou Nan, director of the NCNA.

67. *Wenhui bao*, 2 July 1993.

68. *Ibid.*

69. *South China Morning Post*, 30 June 1991.

70. The relationship of the HKFTU to the NCNA is complex. HKFTU claims to be financially independent (its revenue comes from property development, rents, and member dues—*South China Morning Post*, 9 June 1991, and *Hong Kong Standard*, 29 April 1991). On some issues, such as on the importation of labour, it has taken a strong stand that opposes the position of the more conservative elements of the business community in Hong Kong, traditionally backed by the NCNA. On other issues, the HKFTU has been a loyal supporter of the NCNA position. For example, the HKFTU supported NCNA-endorsed candidates during the 1991 Legco elections. The candidates all lost, however.

71. See John P. Burns, "The Process of Assimilation of Hong Kong (1997) and the Implications for Taiwan," *AEI Foreign Policy and Defense Review* 6, no. 3 (1986): 19-26.

72. See Andy Ho, "Optimistic pro-Beijing group has work cut out," *South China Morning Post*, 23 May 1992, who argues that the DAB's primary function will be to provide candidates for the ten Legco seats to be chosen by the Election Committee, that will be set up in preparation for the 1995 elections. The DAB estimates that "at least half of the 274 elected district board members throughout the 19 administrative areas will eventually join its ranks."

China's Evolving Region-Centre Relations: Implications for Hong Kong

Victor C. Falkenheim

Introduction

In 1997, Hong Kong will revert to Chinese sovereignty as a Special Administrative Region (SAR) of the People's Republic. As stipulated in the Sino-British Joint Declaration of 1984 and in the 1991 Basic Law, Hong Kong's mini-constitution, the SAR will be endowed with a "high degree" of autonomy, enabling it to preserve its social and economic distinctiveness for the ensuing fifty years.

How to secure and entrench that autonomy has become an issue of mounting concern as 1997 approaches. China's increasing propensity to intervene in Hong Kong affairs and its insistence on the right to co-determine economic and social policies whose consequences extend beyond 1997 threaten to undermine that promised freedom of action. The appointment of two groups of "advisors" in 1992 and 1993, the formation of a pro-Beijing political party, and continuing contention over the new airport have compounded these anxieties.

Fears about potential threats to Hong Kong's post-1997 autonomy are understandable. Autonomy, in Beijing's view, has never implied independence. Any optimism about China's political intentions was effectively dispelled by the PRC's amendments to the draft of the Basic Law in the wake of Tiananmen. These changes underlined Beijing's determination to secure adequate levers of political control post-1997.

After 1997, Hong Kong's Governor will be appointed by Beijing. People's Liberation Army soldiers will be stationed in Hong Kong. Foreign policy and security matters will be the province of the Central government in Beijing. The National People's Congress will have the right to override legislation by the SAR legislature. The PRC's current attempts to co-opt potential leaders and strengthen its political infrastructure in Hong Kong clearly have a further preemptive aim—to forestall political challenges to China's ultimate authority.

Bases of Autonomy

While effective challenges to Beijing's political control after 1997 are unlikely, there may still be a good deal of room for Hong Kong, within the framework of a unitary national state, to assert its economic and policy autonomy.

A number of factors seem likely to strengthen Hong Kong's capacity to defend its interests within the obvious political constraints of its subordinate status. The first is China's growing economic stake in Hong Kong and the increasing economic integration of Hong Kong into the South China region. On this basis it can be argued with some plausibility that China's self-interest largely precludes capricious political intervention.

An additional nostrum for Hong Kong well-wishers has been that China's continued transformation in the direction of a liberal market order will reduce China's sense of insecurity about Hong Kong and will minimize the likelihood of disruptive intervention. Third, it is often argued that cementing Taiwan's future ties to China requires successful implementation of the "one country, two systems" formula, a factor likely to stay Beijing's hand in Hong Kong even in the event of serious frictions.

Four additional factors specific to Hong Kong reinforce this positive line of speculation. After 1997, Hong Kong will remain a separate customs territory with separate membership in a wide range of international organizations. Its economic and political boundaries will be far from permeable after 1997. In addition, the systemic and structural differences between the two systems will preclude easy integration and coordination. These barriers may slowly erode but will not be easy to set aside in the short run.

Further, a powerful international business presence in Hong Kong will constitute an important constituency that can press Beijing directly for concessions to Hong Kong if needed. Finally, Hong Kong's influential business and professional classes, with limited but hardly unimportant legal and institutional bases of power in Hong Kong, will make the territory a difficult place to govern directly.

Thus, Beijing will have strong incentives, once its initial control and security concerns are met, to place the new Hong Kong government on a very long leash. Similarly, Hong Kong will have powerful reasons to work within the PRC political system to secure Beijing's confidence and on that basis to enlarge its economic powers.

China's Regionalism and Hong Kong's Future

The purpose of this paper is to explore one additional set of factors which will shape post-1997 Hong Kong-China ties: China's rapidly evolving pattern of central-regional relations.

The relevance of this factor is obvious. First, Hong Kong, although a

“special” region, shares subordinate regional status with fraternal provinces, autonomous regions, and municipalities within a unitary state system. How China manages its regions generally will clearly have an important bearing on the way in which Beijing-Hong Kong relations are perceived and structured.

Second, China has significantly loosened its controls over local administration in recent years, particularly in the economic realm. Some analysts have speculated that this process is irreversible and that the central government has lost the capacity to direct economic activity in the regions.

The potential implications of these trends for Hong Kong have not been lost on many commentators. One writer, noting the importance of growing local power in China, speculated that should the end result of the current centrifugal drift be “a weak center in an uneasy truce with powerful localities,” one consequence would be seriously to “exacerbate the difficulty (for China) of absorbing Hong Kong.”¹ Another commentator similarly has suggested that in an increasingly decentralized administrative environment, “Hong Kong’s autonomy from Beijing may be more assured, at least by default, than could have been envisioned in 1984 when the Joint Declaration was signed.”²

In what ways increasing regional power will affect Hong Kong’s position as a SAR, however, is far from clear. One popular scenario envisages a politically and economically muscular Guangdong buffering Hong Kong from central government pressures. Another sees a weakened Centre lacking the levers or the will to intervene effectively in Hong Kong. A third line of analysis speculates that to the extent the Central government has become increasingly cognizant of the benefits of regional policy diversity, Hong Kong’s own specialness will receive recognition and reinforcement.

A major goal of this essay is to explore the validity of these conflicting assessments.

Mao-Era Central-Local Relations

Before exploring the implications of current decentralization initiatives for Hong Kong’s autonomy, it is important briefly to sketch the context in which the Deng-era decentralization reforms emerged. For Deng-era leaders, a major objective of the reforms was to reduce the overconcentration of power in Beijing in order to release creative local energies.³

The defining characteristics of central-local relations after 1949 was the subordination of the localities to the priorities of the central

government. Against the historical backdrop of the warlord era, the central government in Beijing was overridingly preoccupied with political control. As the new Party-State moved to build a modern socialist society in China, it demanded policy fidelity from its local prefects in the provinces and autonomous regions. The relationship between the centre and the regions during the Mao era was primarily one of control and compliance.

Control was exercised primarily through the power of appointment and removal of local leaders, with the Party Organization Department tending to rely heavily on non-locals in the governance of the regions. Manifestations of "localism" were met with harsh sanctions. Periodic local policy "deviations" in implementing central directives resulted in widespread purges, notably in 1951-52, 1956-58, and 1962-63. The most sweeping removal of provincial-level leaders came during the Cultural Revolution (1966-69) when twenty-six out of twenty-nine provincial Party Secretaries were dismissed for "rightist deviations" and the sin of "mountaintop-ism."⁴

Local latitude in policy determination was strictly limited, first, by the uniformity of directives from Beijing and, second, by the very tight fiscal and planning controls vested in the Centre. Reinforced by periodic political campaigns and tight Party controls, this control system was relatively effective in securing compliance by local leaders with central priorities.

Within these tight constraints, however, it was recognized that some local latitude in policy implementation was necessary in a country as large and diverse as China. Mao, as early as 1956, insisted on a proper balance between the contradictory imperatives of centralization and decentralization, and the slogan, *yin di zhi yi*, called for local adaptation of central directives as needed. Less developed regions, particularly the national minority Autonomous Regions, were on occasion exempted from national policy requirements according to local conditions.⁵

In addition, local leaders did engage in limited lobbying in such settings as national Party meetings and legislative arenas. During periods of policy debate or factional division, some local leaders engaged in direct policy advocacy—a highly risky act.

Successive administrative decentralizations in 1957, 1970, and 1972 placed increasing numbers of China's enterprises under local administrative control and supervision, augmenting the concrete functions of local leaders. The coordinative and oversight roles of local Party

Committees correspondingly grew throughout the last years of the Mao era. From the late 1950s onwards, increasing numbers of local leaders gained positions on senior national policy making bodies, augmenting their access and influence at the central level.

Despite the growing power, influence, and access of provincial and regional leaders through the 1960s and 1970s, the prevailing pattern of central-local relations on the eve of the Deng reforms was one of relatively tight centralized authority and limited local autonomy. How centralized, in economic and political terms, the Chinese system was in the Mao era remains a matter of academic debate, with some specialists emphasizing the "cellular" nature of the Chinese system and others stressing the mobilizational capacities of the central state.⁶

Whatever the merits of these contending views, it was recognized that China's provinces and regions differed in their degree of responsiveness to central directives, and that the levers exercised by central leaders had a differential impact on minority regions, border regions, or grain-deficit areas. It was also clear that the main task for senior Party leaders in the provinces was to reconcile demands from the Centre with the requirements of their constituency—a delicate task that allowed for some freedom of manoeuvre.⁷

Deng-Era Reforms

Central-regional relations were dramatically transformed during the Deng-era, with provinces and regions gaining substantial autonomy over the course of the decade. A combination of institutional and policy changes helped redefine the relative powers of Centre and region.

One major change took the form of a revised national-regional development strategy—one far more hospitable to local policy diversity. Abandoning the rigid, Mao-era formula of self reliance and uniform development across regions, Deng-era policy emphasized instead local development strategies tailored to local resources. The slogan of the post-1978 period called upon provinces to "build on their strong points and avoid their weak points," in ways that reflect local comparative advantage.⁸

A second major change, lending substance to the first, involved a series of administrative decentralization measures which conferred enhanced planning and investment authority on the provinces and regions. Comparable measures in the area of foreign trade and investment enhanced the role of regional governments in implementing the "open door" policy.⁹

Of even greater significance were the fiscal reforms of the early 1980s which adjusted revenue formulas for provincial and regional governments. These adjustments allowed provinces to tap a wide and growing range of local tax sources, enormously swelling provincial coffers. The same reforms eroded the fiscal base of the central government, altering the distribution of resources in favour of the localities.¹⁰

In addition, a number of legal and constitutional reforms were adopted that sought to define and entrench local power. A 1979 statute conferred "legislative power" (*lifaquan*) on provincial-level People's Congresses, an initiative incorporated into the 1982 constitution. The 1954 constitution had restricted legislative power to the National People's Congress. While the Standing Committee of the NPC was given the right of *ex post facto* review of provincial legislation, it could take effect prior to review.¹¹

Finally, a host of regional and zonal experiments were adopted that allowed special economic zones and economic regions to develop flexible practices on a pilot basis. Some provinces were given the right to develop special local policies and legislation in specific policy areas.

Growing Provincial Assertiveness

Armed with these new powers and resources, provincial and regional governments became far more active during the 1980s in articulating and asserting local interests. One measure of this new local activism came in the form of innovative provincial legislation, often in advance of central initiatives. Some of this local legislation was centrally mandated, as in the case of Guangdong and Fujian's SEZ legislation, but much of it reflected local needs. Significantly, emerging legislative doctrines supported the notion of local pilot programmes in areas where national policy was not yet determined.

One study indicated that forty-four pieces of local legislation were initiated by Guangdong as of 1989, while thirty-seven local laws were promulgated by Liaoning during the same period of time. Policy areas where local governments staked out legislative turf included consumer affairs and environmental issues. On occasion where local legislation impinged on national jurisdictions, the courts have upheld the local enactments.¹²

Another dimension of the growing localism has been the more vigorous advocacy of local interests, both in the National People's Congress annual sessions and directly in pressuring central decision

makers. Among the most contentious issues eliciting direct local pressure on central authorities has been the preferential policy favouring coastal regions in attracting foreign investment.

Provinces have proved adept at marshalling resources for favoured local development programmes, even during periods of national retrenchment. Few of the planning and administrative levers, which in the past were effective in securing cooperation and compliance, seem to work as well as they once did.

Localism and its Discontents

From a national perspective, one clear benefit of these reforms has been the stimulus afforded to local governments. Growth has surged in many provinces, outstripping national targets. However, a number of dysfunctional consequences have accompanied this growth, attracting national attention and debate.

One problem has been the increase in inter-regional economic conflict, leading to local protectionism and "blockades," as well as "commodity wars." Stigmatized in the press as "economic warlordism," these phenomena have proven difficult to check.¹³ A second problem has been the growing economic disparities between rapidly growing coastal regions and laggard interior provinces and regions. This so-called "East-West" development gap has generated active debate over appropriate counter measures.¹⁴

A third problem has been the inability of the Centre to impose its economic and developmental priorities on local governments. Essentially, this has meant some loss of Beijing's economic control over the provinces. Local governments have resisted calls for retrenchment and subverted a variety of rationalizing reforms in an effort to protect their economic and tax bases.

Central Responses

An analysis of the central authorities' responses to growing provincial assertiveness yields a number of mixed but positive conclusions for those analogizing to Hong Kong's likely situation after 1997. The first is that, journalistic speculation notwithstanding, there is no compelling evidence of a serious erosion of central will or resources in dealing with economic localism. When challenged, Beijing leaders have proven able to recentralize authority over trade, investment, and growth targets, though their instruments of intervention have often been crude and dysfunctional.

Where local legislation has conflicted with national policy, provinces have voluntarily annulled their legislation to bring regional ordinances in line. When provincial initiatives have threatened central programmes, as in the case of the proliferation of local stock exchanges, localities have been compelled to disavow these programmes.¹⁵

The second conclusion is that central authorities tend to approach the regions in a more deferential and less interventionist way than in past. Errant local governments may be criticized for such sins as "local protectionism" but not for the political deviation of "localism." Much central pressure has tended to take the form of suasion, invoking such slogans as the "entire country as a chessboard," to urge inter-regional cooperation.

Tellingly, the Centre has relinquished direct control over most provincial personnel decisions with the exception of the most senior leaders. This has allowed a greater degree of "localization" of provincial and regional leadership groups, providing evidence of a greater degree of security on the part of the Centre.¹⁶

Third, central authorities appear far more responsive to local pressures when they are seen as legitimate. One example illustrates this point—the steady enlargement of China's "open" areas eligible for preferential policies. Years of vocal complaints by China's interior provinces were met with success in 1992 with the conferring of "open" status on selected border cities and interior provincial capitals.

Another example has been Beijing's willingness to allow the revenue formulas established in consultation with the provinces to stand, retracting its own announced preferences for revision. While arguably the Centre was compelled to back off, the more plausible interpretation sees the Centre as agreeing to suspend an unacceptable unilateral demarche.

A New Pattern of Central-Regional Relations?

Assessing the implications of current regionalizing trends in China for the future autonomy of the Hong Kong SAR requires reconciling two competing perspectives on the underlying dynamics and constraints on regionalism. One perspective emphasizes the impairment of central power and accents the potential for damaging regional fragmentation.¹⁷ In this view, administrative and economic reform has unleashed territorially-based, centrifugal tendencies which have cumulatively enlarged the powers of local governments at the expense of the Centre, whose capacity to intervene has been progressively diminished. This

view, treats central-regional relations as a zero-sum game, with the Centre as loser.

An alternative view, and the one advanced in this paper, accepts much of the foregoing analysis but interprets its significance differently. In this latter view, the pattern of central-local relations in China has been significantly redefined over the past decade. A series of decentralizing reforms have expanded the role and resources of local governments. A wide range of zonal experiments has assigned extensive discretionary and, in some cases, exceptional authority to local planning and management organs. By design more than by default, the central government has been far less interventionist. Cumulatively, the result has been a significant shift in power away from the Centre to the regions and the emergence of new forms of local-central partnership and cooperation.

In this view, central power remains substantial and its capacity to intervene formidable. However, its style of intervention has changed. There is greater tolerance of diversity and an increasing tendency to play a mediating or brokerage role *vis à vis* the localities rather than to dictate directly.

This view is largely in accord with the analysis of Oksenberg and Lieberthal based on their study of the energy sector. They conclude that neither provincial autonomy nor central predominance characterize the relationship between the provinces and the Centre. Rather, the relationship is one of complex bargaining broadly characterized by interdependence, tilted in favour of the Centre.¹⁸

A similar conclusion is reached by David Goodman who warns against equating "economic regionalization" with "political regionalism." In his perception, the relationship between province and Centre is one of "creative tension," within a framework of shared goals and values.¹⁹

Implications for Hong Kong

The capacity of any province or region in China to articulate and press successfully its interests depends on a wide range of factors. One clear conclusion from a preliminary examination of the broad institutional and policy context within which provinces operate is that the opportunities for such advocacy have expanded sharply in the past fifteen years.

It also seems clear that the ability to assert local interests within the system is premised on mutual confidence and trust. An adversarial relationship is likely to imperil that trust. There is likely to be a direct

relationship between the degree of autonomy permitted to a region and the Centre's confidence in its ultimate authority and control over the region. This places an enormous burden on Hong Kong's post-1997 leadership and makes the selection of the first Governor a critical choice.

Within these parameters, vigorous advocacy of Hong Kong's interests will be essential in delimiting the boundaries of central interference. Kuan Hsin-chi has argued that "as relations between Hong Kong and China grow in intensity and complexity," it may still be possible for Hong Kong "to have its own way in many...functions" less central to China's concerns. "The crux of the matter," he suggests, is to "limit as far as possible the functional areas susceptible to intervention." His conclusion is that to "transform the innovative but elusive ideal of one country, two systems into a truly creative and dynamic central-local relationship" is the primary challenge facing Hong Kong.²⁰ The implications of this review of central-local relations is that it may not be an insurmountable one.

Notes

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5. Stuart Schram, "Decentralization in a Unitary State: Theory and Practice, 1940-1984" in *The Scope of State Power in China*, ed. S. Schram (London: School of Oriental and African Studies, 1985), pp. 81-125.
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Hong Kong and the Rise of "Greater China": Policy Issues for the United States

David M. Lampton

Introduction

One of the most important economic developments occurring in the world today is the emergence of a regional, triangular economy embracing South China and adjacent regions, Hong Kong, and Taiwan. Some observers refer to this as "Greater China," though the term is rejected by many Chinese and others as having connotations of "great Han chauvinism." Other observers call it the "Chinese Economic Conglomerate," and still others, largely in Hong Kong, call it "Hong Kong Plus." By whatever name, this increasingly integrated economy is not only changing the face of economic relations in the Pacific Basin, but it also will have important implications in the political and security domains, though the precise nature of those effects is uncertain.

The purpose of this paper is to identify the principal policy issues facing the United States with respect to Hong Kong's reversion to Chinese sovereignty on 1 July 1997, paying most attention to how Hong Kong's pivotal role in "Greater China" is affecting or might affect the US definition of the problem and the very issues the United States faces with respect to the territory. Hong Kong's location in "Greater China" raises two kinds of policy-relevant concerns. First, there are broad theoretical issues with practical policy consequences. Second, there are immediate policy problems. Before tackling these issues, however, we must briefly define the interests that the United States has at stake in its ties with Hong Kong and identify the principal trends at work that affect those interests.

This paper's focus is the emerging triangular economy of China, Taiwan, and Hong Kong and this phenomenon's implications for American thinking on policy with respect to Hong Kong. Consequently, this analysis does not address critical issues of political system reform on either China's Mainland or in Hong Kong, though both are critical to the territory's future. In the final analysis, stability in Hong Kong and on the Mainland will be influenced by whether or not *both* societies are able to develop stable political institutions that can bridge the "state-society" gap. Rising economic and educational standards in both the People's Republic and Hong Kong are producing

increasing numbers of middle class citizens. In turn, they will increasingly demand the rights of participation that rising middle classes have demanded elsewhere throughout history. Beijing and Hong Kong, each in its own way to be sure, must develop political institutions that provide legal and representative channels for the constructive and authoritative expression of popular views. These issues, however, are largely beyond the purview of this analysis.

Why Is Hong Kong Important to the United States?

There are numerous statistics that show how economically important Hong Kong is to the United States. This territory is America's thirteenth largest trade partner; it takes three times the per capita imports from the United States that Japan takes and imports more than three times the quantity of goods from the United States as the Philippines, a country with more than ten times Hong Kong's population. Hong Kong is also home to over 900 American companies and \$7 billion in U.S. investment, a dollar figure exceeded only by the PRC and Japan. About two-thirds of the PRC's exports to the United States come through the territory. In addition, the United States supplied Hong Kong with 8.2% of its imports, the market for 32.2% of its domestic exports, and 20.8% of its re-exports in 1989. In 1990, 612,000 U.S. tourists visited Hong Kong while nearly 22,000 Americans live in the territory on a long-term basis—the largest expatriate business group there. Finally, Hong Kong is a major source of investment into the United States, particularly the West Coast. In short, the people of Hong Kong and the United States are of critical economic importance to one another. More broadly, Hong Kong not only shares our commitment to free trade and market-oriented economic principles, but also it is an ally in multilateral economic and trade organizations such as GATT.

The facts recounted above are well-known and need no further elaboration here. Hong Kong's importance along another dimension, however, has received insufficient attention—its role in the emerging economy of "Greater China." Were this economy considered a single entity, it would have been America's third largest trading partner in 1989, after Canada and Japan, and larger than fourth-ranking Mexico. Taiwan, Hong Kong, and the PRC are now major trade and investment partners of one another. Three-way trade among the PRC, Hong Kong, and Taiwan hit US\$68.04 billion in the first ten months of 1991, while three-way, cumulative investment reached US\$36.4 billion, according to

the Hong Kong Trade Development Council. Hong Kong accounts for about two-thirds of the direct foreign investment in the PRC, while China may have as much as US\$15 billion invested in Hong Kong, though no one is sure. Taiwan's investment in the PRC reached a cumulative total of around US\$3 billion in 1991, with two-way ("indirect") trade around \$5 billion (some estimates run to twice that number). Taiwan's investment in Hong Kong is rising sharply, and Taiwan firms set up subsidiaries in the territory to conduct business and trade operations in the PRC in order to comply with Taipei's policy of engaging in only "indirect" economic relations with Beijing—a policy which Taiwan's Vice Minister of Economic Affairs suggested in May 1992 may soon change. To further complicate the picture, PRC state bureaucracies and enterprises frequently set up subsidiaries in Hong Kong so that they can reinvest in the Mainland itself and receive the tax and other investment incentives offered to "foreign firms" by Beijing. These companies are called "fake foreigners," a practice which authorities on the Mainland apparently ignore.

From the perspective of U.S. interests, the development of the "Greater Chinese economy" is important for at least four reasons:

- 1) The Hong Kong economy is spreading rapidly into South China—three million Chinese workers labour in Hong Kong-run enterprises in the PRC, four times more industrial workers than Hong Kong has itself. These enterprises—their mode of management and their very ethos—are a critical agent of change in the PRC. The visual transformation of the Guangzhou-Hong Kong corridor and the shifts in attitudes and values of the people living in that region are reminiscent of the booming Hong Kong of the early 1970s. The same economic and sociological processes are underway in Fujian Province, particularly Xiamen, where Taiwan investment and tourists are pouring in. This leads one to ask, "Are Hong Kong and Taiwan having a bigger effect on the PRC than vice versa?"
- 2) Because the economies of Hong Kong, Taiwan, and the PRC are becoming more interdependent, I believe that the security of Hong Kong and Taiwan are enhanced. It is hard to imagine that the PRC would intentionally sacrifice rapidly-growing economic interests with Hong Kong and Taiwan to reap the bitter fruits of confrontation. To put it bluntly, the PRC is already the biggest "stockholder" in Hong Kong; it behooves Beijing not to drive down the value of those

“shares.” Hong Kong’s security ultimately rests in the self-interest of Beijing. While one cannot exclude the possibility of policies or developments in China that would undermine those interests (e.g., events such as Tiananmen and its aftermath are indeed sobering), the best guarantor of Hong Kong’s future is its strong economic utility to the PRC. To the degree that Hong Kong and Taiwan’s security is enhanced, this helps lay a solid foundation for productive U.S.-China relations. Conflict over Hong Kong or Taiwan would undermine the basis for productive bilateral Sino-American ties.

- 3) The third U.S. interest derives from the first two—namely that Hong Kong is a tremendous platform from which the United States can develop its economic and cultural ties, not only in “Greater China” but also in the East Asian region more broadly. Hong Kong’s infrastructure, strategic location, and cultural ties throughout the region make it an invaluable hub.
- 4) Finally, U.S. interests are not simply economic, but they also embody the desire to foster participatory and pluralistic forms of social organization devoted to free markets and civil rights. On this score, Hong Kong gradually is moving in the participatory direction. This is a development fully compatible with American interests and values. Governor Christopher Patten’s October 1992 “proposals” for political reform were a bellwether of this inevitable pressure.

Current Trends and Developments in Hong Kong and Implications for the United States

In the wake of the tragic bloodshed of 4 June 1989 in Beijing, confidence in Hong Kong reached a nadir, with emigration jumping from 42,000 in 1989 to 62,000 in 1990. By 1991 the outflow had receded a bit, to 60,000 annually, which remained at that level in 1992. This brain drain was extremely worrisome, although since the recession in North America a number of previous emigrants have returned to work in Hong Kong, having acquired rights of residence elsewhere should such a “life preserver” prove necessary.

Nonetheless, in 1991 U.S. visas that remain valid until the year 2002 were *undersubscribed*, an indication that some measure of confidence had returned to Hong Kong. In addition, in 1991 and 1992 the price of residential property rose very rapidly in the territory and the Hong Kong stock market appreciated sharply. Hong Kong experienced a real

growth rate in GDP of 5% in 1992 and expects this to increase to 5.5% in 1993 [*Hong Kong Budget 1993-94*]. The 1991 agreement with Beijing for construction of a new Hong Kong Airport further boosted confidence, though the Hong Kong Government had to agree to consultative mechanisms it had previously resisted. Most of these developments have improved confidence to some extent.

Turning to the evolution of the political situation in the territory, developments have been mixed. The Legislative Council (Legco) seated its first directly-elected members (18, out of a total of 60) in late-1991, the overwhelming majority of which were reform-minded individuals. In the wake of the election, Legco has been playing a more vigorous role, expressing its views forcefully on the structure of the judicial system in Hong Kong and the budget. Nonetheless, the percentage of directly elected members in Legco is still widely considered too small and that body's ability decisively to affect policy remains to be demonstrated. Indeed, it was precisely this perception and the rise of John Major as Britain's prime minister that led to the mid-1992 appointment of Chris Patten as governor of Hong Kong and his October 1992 proposals to broaden the franchise in the territory—a move bitterly opposed by China. There is little doubt that the Chinese much prefer a system with a strong executive (responsive to Beijing) and a weak legislature. In short, there has been progress toward more participatory governance, but it has been slow and there are some people in Hong Kong who would like to push well beyond current limits. Given Beijing's previous warning to Hong Kong that it not become a base for "subversion," there is great uncertainty and anxiety concerning the point at which democratic evolution may spark moves by Beijing to reverse those changes it finds unacceptable in the post-1997 period.

The context in which the United States considers its policy toward Hong Kong, therefore, is complex. The confidence of residents of Hong Kong is not high, though considerably better than in late-1989 and 1990. Economic growth is occurring very rapidly; each passing day links the Chinese and Hong Kong economies more closely together. Limited progress toward more participatory governance has been made, though the struggle with Beijing is ongoing. When all is said and done, however, there are many (though an indeterminate number) in Hong Kong who would like to see more rapid progress toward meaningful political participation, there is a great uncertainty about how much authority Hong Kong people really will have to manage their

own affairs after 1 July 1997, and Hong Kongers would welcome international support and involvement that would increase their certainty about the future. This brings us to the undergirding policy considerations that the issue of Hong Kong and its future present to the United States and other western nations concerned about this important city.

Principal Theoretical and Practical Policy Issues Which Hong Kong's Reversion to PRC Sovereignty Presents in the Context of "Greater China"

Theoretical Issues

The first theoretical issue arises from the following question: "What is the ultimate basis for the security of Hong Kong?" Does the emergence of "Greater China" in economic terms enhance or threaten Hong Kong's security and way of life? There are two broad schools of thought with other permutations straddling this conceptual divide.

The first school—perhaps one could identify this with Hong Kong's voice for democratic politics, Martin Lee—argues that Hong Kong's ultimate security rests in instituting the procedures and reality of democratic governance as rapidly as possible before 1997 and linking the Hong Kong community to western nations and western values as thoroughly and as quickly as possible. The undergirding assumption seems to be that such distinctiveness and identification with the West and democratic governance would make the costs of Chinese repression so high that Beijing would decide to stay its hand. In this school of thought, increasing economic interdependence with the PRC may be necessary (or at least unavoidable), but it runs the risk of creating dependencies that will lead to political subservience. "Greater China" may be an economic boon to the territory, but it is a political danger.

The other school of thought—perhaps one could identify this with such Hong Kong leaders as Helmut Sohmen and Dame Lydia Dunn—asserts that the strategy of political distinctiveness, particularly rapid political change and Hong Kong's "internationalization" as a political issue, are steps likely to provoke Beijing, through the spectre of "subversion." In the end, the principal strategy for maintaining Hong Kong's essential identity must be to increase its economic utility to, and thereby economic interdependence with, the PRC—in short, to be such a valuable "golden goose" that the Chinese authorities would never dream of harming it. The corollary of this is, "Don't unnecessarily antagonize Beijing politically."

Where one comes out in this debate, of course, has deep implications for the kinds of relations one seeks with Beijing, the types of political change (and the pace of those changes) one thinks desirable in Hong Kong in the period prior to 1997, and the kinds of international involvement Hong Kong seeks to promote.

A **second** broad theoretical question with practical consequences for policy is as follows: "Is the impact of China on Hong Kong likely to be greater than Hong Kong's impact on the PRC?" Much of the policy-relevant discussion concerning Hong Kong seems predicated on the presumption that the issue is not whether or not Hong Kong will change under Chinese sovereignty, but how much (and how negative) will that change be? Of course, there are good reasons for such fears, including: Beijing's influence over leftist labour organizations; Beijing's great weight in the Hong Kong mass media; China's ability, in effect, to infiltrate the Hong Kong administration with "reliable elements"; the sheer weight of China's economic presence; the fear that the dead hand of China's planners will weigh on Hong Kong's free-wheeling capitalist system; and, of course, the presumed post-1949 presence of the People's Liberation Army (PLA) in the Special Administrative Region (SAR)—not to mention two to three million troops beyond the SAR's boundary.

Another view, however, is that too little attention has been paid to the current cultural, economic, and political effects which Hong Kong is having upon of the PRC. One sees these effects at every level and in many areas: the television antennae of South China are turned toward Hong Kong; PRC companies are setting up fronts in Hong Kong that reinvest into the Mainland in ways that bring them the tax and investment benefits given to "foreign" firms; large amounts of foreign currency are presumed to be held in Hong Kong away from the long arm of the foreign exchange controllers of Beijing; a political ethos is emerging in South China that takes Beijing's ideological dictums to be increasing irrelevancies and/or nuisances; three million PRC workers owe their paychecks to Hong Kong firms, and this number may be ten million by the year 2000; and, popular culture in much of South China increasingly resembles that in Hong Kong and Taiwan.

The significance of whether one attaches more importance to China's impact on Hong Kong or to Hong Kong's effects on China is great. If, on the one hand, one is more alarmed at the processes of change for Hong Kong, one is driven, in a policy sense, to emphasize issues of human rights in the territory, establishing international guarantees, and probably fostering a more rapid rate of democratization

prior to 1997. If, on the other hand, one sees Hong Kong becoming an agent of change in producing system and value “convergence” in the PRC, policy options tend to focus more on maintaining economic momentum in Hong Kong, encouraging conciliation between the territory and Beijing, and promoting more interaction among China and Hong Kong.

In my observation, persons who tend to believe that Hong Kong’s security lies in its economic utility to China also tend to believe that Hong Kong is having an enormous impact on China. Those who believe Hong Kong’s security lies in the rapid institutionalization of democratic practice and international safeguards tend to have less confidence in the capacity of Hong Kong to affect meaningfully social, economic, and political processes on the Mainland. They look at the emergence of “Greater China” as a mixed blessing, at best. In short, with respect to Hong Kong’s future stability and prosperity, there is debate about whether the processes one associates with the rise of “Greater China” in economic terms are the solution or the problem.

A **third** theoretical issue concerns whether or not there is a linkage between how successfully the transition in Hong Kong is handled and the prospects for reunification between Taiwan and the Mainland. The Chinese in Beijing publicly (though there are deep anxieties privately) hold that a “successful” reversion to Chinese sovereignty in Hong Kong increases the probability of a peaceful and successful political reunification between Taiwan and the Mainland.

Another school of thought is that a “successful” (leaving aside how that will be defined or measured) reversion of Hong Kong to PRC sovereignty has little bearing on the evolution of Taiwan’s political relations with the Mainland. This is so, it is argued, because of the dynamics of political change on Taiwan, the widening economic gap between the island and the Mainland, the different geographic circumstances between Hong Kong and Taiwan, and the dissimilar roles Hong Kong and Taiwan play in the international economy and world community.

In my view, while a “successful” transition in Hong Kong will not appreciably increase the likelihood of political reunification between Taiwan and the Mainland (at least, as such union is currently defined by Beijing), an “unsuccessful” experience in Hong Kong would reduce the probabilities for peaceful political reunification to the vanishing point, short of the kind of regime transformation in Beijing for which Taipei has been calling. In short, there is the possibility of substantial loss for Beijing from a bungled transition in Hong Kong—there is little

upside gain for political reunification with Taiwan on Beijing's terms. Economically, however, a smooth transition in Hong Kong will foster closer economic and cultural linkages between Taiwan and the Mainland.

Immediate Policy Concerns

Above, we addressed three broad theoretical issues that impinge on Hong Kong's role in "Greater China" and the implications of that involvement for Hong Kong's future as a SAR, for change in the PRC itself, for Taiwan-Mainland relations, and for the very way in which Americans conceptualize the challenges and opportunities presented by the transition in Hong Kong. However, from the viewpoint of U.S. policy, there are three issues that arise from Hong Kong's pivotal role in "Greater China" that are of more immediacy and direct salience.

First, I have identified above the degree to which the Hong Kong and PRC economies have become intertwined. This interdependence is captured by the facts that China and Hong Kong each account for one-third of one another's trade and that the fastest growing component of Hong Kong's economy has been "re-exports." Visually, from the air, a corridor of industrial and urban growth now extends from Victoria Island in Hong Kong to Guangzhou, running through the intervening Dongguan and Baoan counties in the PRC.

If the reality is an economic interdependence that increasingly blurs the distinction between the PRC and Hong Kong, the basic presumption of American foreign policy is that the way to affect Beijing's policy decisions on trade, human rights, and missile and technology proliferation is through the application of economic sanctions. However, because Hong Kong and Taiwan increasingly have used the PRC as their production platforms for exports to the U.S., such sanctions almost always substantially affect Hong Kong and (increasingly) Taiwan.

Given the important and long-standing American policy commitments to the welfare of people in Hong Kong (and Taiwan), Washington faces a dilemma—the preferred tool of American foreign policy, economic sanctions, creates a situation in which attempts to affect Chinese behaviour harms the rest of "Greater China." U.S. leaders are presented with an economic version of the dilemma that Americans faced when thinking about the air war in South Vietnam in the 1960s—"we may have to destroy it to save it." In short, the traditional weapons of American foreign policy resemble economic cluster bombs when more accurate weapons are required.

Frankly, in an interdependent world economy, there appears no way to avoid hitting innocent economic bystanders when the major powers clash and economic leverage is applied. In my view, however, American policy ought to restrict its use of economic sanctions to instances in which the U.S. is unable to resolve *economic* problems with the PRC—make the “punishment” fit the “crime” and use incentives that are in the domain where change is desired. In those cases where economic disincentives are used to address economic problems, the sanctions ought not to be broadsides against the entire commercial and trade relationship but focused disincentives aimed at the offending individuals, bureaucracies, and industries. Nonetheless, although this policy would not mean that Hong Kong and Taiwan were immune from damage, it would limit the kinds of occasions on which such damage was inflicted and the scope of the resulting loss.

A **second** immediate U.S. policy problem resulting from Hong Kong's transition to PRC sovereignty, in the context of being a key element in the emergence of “Greater China,” is: “How can the United States articulate and protect its interests (and values) *vis à vis* Hong Kong without, at the same time, inappropriately injecting itself into the ‘internal affairs’ of a sovereign country—Great Britain before 1 July 1997 and the PRC thereafter?”

There are three possible broad options as Washington contemplates the 1997 reversion to Beijing's sovereignty: do nothing, adopt an approach in which the U.S. seeks to become the new guarantor of developments in the territory, or take a middle course. The first approach is not even a remote political possibility, given American interests in Hong Kong and the deep misgivings resulting from June 1989 in Beijing. The second option is equally infeasible because, in the end, the American people are not able or willing to pay the price that such guarantees would require. Therefore, we are left looking for a “middle course.”

That middle course has taken the form of the United States-Hong Kong Policy Act passed by the U.S. Congress in 1992—a law that seeks to accomplish three things. It endeavours to express American desires to see the Joint Declaration of 1984 and the Basic Law faithfully implemented. Secondly, it seeks to assure that U.S. laws are amended so that no rupture of important legal relationships occurs by virtue of the change of sovereign power on 1 July 1997. For example, Hong Kong might be subject to yearly renewal of Most Favoured Nation (MFN) status were U.S. domestic law not changed, and there might be imped-

iments to the transfer of high-technology to Hong Kong in the post-reversion period. Finally, the Act attempts to create a mechanism for reviewing developments in Hong Kong that affect American interests.

Drawing analogies between this United States-Hong Kong Policy Act and the 1979 Taiwan Relations Act (TRA), Beijing objected to the former, although not strenuously, after it emerged from the Washington legislative process in a comparatively mild form. From an American point of view, the objectives of the Hong Kong Policy Act are merely expressions of U.S. policy and constructive attempts to articulate American interests and create a climate of stability in Hong Kong. Further, the analogy with the TRA is not accurate—the legislation very carefully acknowledges China's sovereignty and the validity of the agreements between Beijing and London. Second, unlike the TRA, there is absolutely no mention of any security relationship between Hong Kong and the United States.

The above-mentioned second dilemma of policy brings us to a **third**: "How can the United States increase confidence in Hong Kong?" We must first acknowledge three factors I consider to be givens. First, Hong Kong's security ultimately depends on internal political, social, demographic, and ecological developments in the PRC. American or external policy is not the decisive factor affecting Hong Kong's future. Second, even within the zone of external action, Washington's policy is probably less salient than the private investment decisions of American and other foreign multinationals and the involvement in Hong Kong of other private sector organizations (in the cultural and education realms). Finally, it is hard to envision any scenario under which Americans would, in fact, expend blood or treasure in the defense of Hong Kong. In short, American government policy operates at the margins, albeit margins that count.

Within these limitations, American policy, therefore, ought to design its policies toward Hong Kong with the evolution of "Greater China" in mind, as indeed in some domains listed below Washington already is doing. Some of the features of such an American policy would be:

- 1) To assure Hong Kong people, particularly people with skills indispensable to the territory's prosperity, that they can emigrate to the United States, if need be, but that they need not move now in order to establish residency. This has, to a considerable extent, been done in the recent immigration law in which the United States is issuing a

modest number of visas which provide the right of entry to Hong Kongers until the year 2002.

- 2) To reinforce the processes of positive change, particularly economic change, in the PRC and not engage in economic retaliation that principally hits export industries in South China. In the end, the PRC is serving as an export platform for Hong Kong and increasingly Taiwan. To attack those industries is to attack the economic relationship between Hong Kong, Taiwan, and the PRC. Such attacks, in turn, reduce Beijing's incentives to keep a peaceful and productive relationship with these two areas.
- 3) To encourage more American and Taiwan investment in Hong Kong, thereby building Americans not only into the growing Chinese triangular economy but also into the East Asian regional economy more broadly. As well, more American investment in Taiwan would be desirable for most of the same reasons.
- 4) Finally, to make sure that American law is amended, well before 1997, to assure that Hong Kong is not unnecessarily entangled in the network of legal provisions that were aimed at the PRC and never intended to apply to Hong Kong.

By way of conclusion, although this paper was originally written in the last stage of the Bush Administration, the fundamental question for U.S. policy remains the same for the Clinton Presidency. How can the U.S. government promote the welfare of Hong Kong and Taiwan and simultaneously pursue a strategy that relies on economic and other sanctions against the PRC?

